Austria.... Sch. 18	Indonesia.. Rp 2500	Portugal ... Esc 80
Bahrain .. Din.0.650	Italy ...... L 1300	S. Arabia .. Rls 6.00
Belgium BFr.42	Japan Y550	Singapore . S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain .... Pta 110
Cyprus ... C£0.80	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. Dkr.7.25	Lebanon .. £L 6.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg . LFr 42	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rin 4.25	Taiwan ... NT $65
France .. FFr. 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 6.00	U.S.A. $1.00
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,778 Wednesday November 13 1985 D 8523 B

Brazil: a boom to make bankers uneasy, Page 26

World news

Gen Doe fights to hold power

Fighting continued in Monrovia, the Liberian capital last night after Brig Gen Thomas Quiwonkpa, former commander of the armed forces, led an attempted coup against the Government of Gen. Samuel Doe.

During a radio broadcast Gen Doe said the rebellion had been put down. However, reports of continued unrest made the situation unclear.

Gen Doe came to power five years ago in a bloody coup and opposition increased sharply two weeks ago following his victory in presidential elections which critics claim were rigged. Background, Page 8

Attack on Star Wars

Paul Quilès, French Defence Minister, strongly criticised the US Star Wars programme and proposed building up France's nuclear-powered naval forces to improve its capacity to handle international crises. Page 2

Verdict on Aquino

A Philippines civilian court trying armed forces chief, General Fabian Ver and 24 others for the murder of opposition leader Benigno Aquino in 1983 has reached a "unanimous verdict" to be announced on November 20. Page 8

Beirut bomb

A suicide car bomb attack on a Christian coalition headquarters in Beirut killed five people and wounded 19. Page 8

Summit security

Swiss troops carrying machine guns have been given orders to shoot anyone breaching security measures during the Reagan-Gorbachev summit in Geneva next week.

Muzorewa resigns

Bishop Abel Muzorewa, former Zimbabwe premier and leader of the United African National Council, resigned from the party and has left politics.

Plea for hostages

The Archbishop of Canterbury's special envoy Terry Waite flies to Lebanon today in an effort to secure the release of American hostages.

Talks on Balkans

Bulgaria's Prime Minister Grisha Filiov called for improved economic ties with Yugoslavia and greater co-operation between Balkan countries during the first visit by a Bulgarian leader to the country in 18 years.

Achille Lauro suit

Two women passengers aboard the Italian cruise liner Achille Lauro when it was hijacked last month by Palestinian guerrillas sued the ship's operators for $200m each.

Spanish strike

Spanish air traffic controllers in Madrid and Las Palmas are holding a 48-hour partial strike to be followed by a general stoppage on November 18–19 in support of higher wages.

Greek denial

The Greek Government denied newspaper reports that it was considering taking emergency action to avert a nationwide general strike. Page 3

French Aids victim

A second patient being treated with the drug cyclosporine-A which a French medical team last month hailed as a breakthrough in the fight against Aids, died in Grenoble.

Business summary

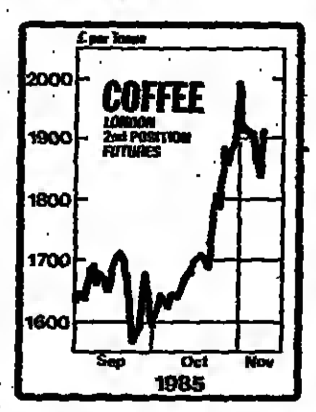
Black and Decker hit by $205m charge

BLACK and DECKER, US electric hand tool manufacturer, plunged into loss for its final quarter and fiscal year after setting aside $205.3m to pay for extensive capacity cuts in many of its operations. Page 29

WALL STREET: The Dow Jones industrial average closed up 1.72 at 1,433.80. Page 50

TOKYO: Prices fell as investors remained on the sidelines. The Nikkei Index lost 86.18 to 12,735.06. Page 50

LONDON equities staged a modest revival but turned cautious ahead of the Chancellor of the Exchequer's statement. The FT Ordinary index managed a net gain of 4.3 to 1,074.6 while the FT-SE 100 index rose 6.1 to 1,381.6. Page 50



COFFEE: Uncertainty about the extent of damage caused to 1986 crops by this year's drought pushed London prices up sharply. The second, or January, position closed £83 higher at £1,916.50 a tonne. Page 42

DOLLAR was slightly weaker in London, closing at DM 2.622 (DM 2.6235). SFr 2.152 (SFr 2.156), FFr 7.9925 (FFr 8.0) and Y205.6 (Y205.9). The dollar's exchange rate index was unchanged at 129.8. Page 43

STERLING lost 75 points against the dollar in London to $1.4125. It also fell to DM 3.7025 (DM 3.725) SFr 3.04 (SFr 3.0625), FFr 11.29 (FFr 11.36) and Y290.5 (Y292.5). The pound's exchange rate index closed at 79.3 from 79.6. Page 43

GOLD rose 75 cents on the London bullion market to $323.75 an ounce, and rose 45 cents in Zurich to $323.55. In New York the December Comex settlement was $325.80. Page 42

SALZGITTER, West German state-owned steel, shipbuilding and manufacturing group, hopes to cut its loss for the year ended September to DM 80m from DM 422m last year, aided by a recovery in steel sales. Page 29

ROBERT HOLMES à Court's Bell group has built its holdings in Broken Hill Proprietary to close to 16 per cent after two days of hectic trading, prompting expectations of a third bid from Bell for Australia's biggest company. Page 31

UNILEVER, Anglo-Dutch foods and consumer products concern, matched analysts' forecasts with an 8 per cent rise in third-quarter taxable profits to £265m ($380m). Lex, Page 28; Details, Page 34

MINEBEA, Japanese ballbearing manufacturer facing a hostile take-over bid by UK and US interests, lifted pre-tax profits 23 per cent in the first half but forecast a fall of around 35 per cent for the year as a whole. Page 29

METRO-CAMMELL, UK railway stock maker, won a HK$250m ($32m) order for mass transit trailer cars in Hong Kong. Page 6

BOEING of the US has put in a bid for De Havilland Aircraft of Canada, rivalling existing offers for the state-owned aerospace group from Justus Dornier of West Germany and a Dutch-Canadian consortium. Page 30

AMERICAN EXPRESS opened an office in Peking to promote its credit card, travellers' cheques and tourism operations in China.

UK plans £14bn asset sales to pay for tax cuts

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

THE BRITISH Government yesterday unveiled a £14.25bn ($20bn) programme of state asset sales as part of a strategy to hold public spending roughly constant in real terms over the next three years and preserve the scope for tax cuts in the run-up to the next election.

Delivering an optimistic assessment of the prospects for growth and inflation in his autumn statement on the UK economy, Mr Nigel Lawson, Chancellor of the Exchequer, said that receipts from sales of state industries would rise to £4.75bn in each of the next three years.

Mr Lawson said that, even if the proceeds from privatisation are excluded, spending in three years' time would be less than 1 per cent higher in real terms than during the current year.

In keeping with the recent switch of emphasis in the presentation of Conservative Government policy, however, he stressed that higher provision had been made for spending on capital projects such as housing renovation, roads and the health service.

Mr Lawson broke with tradition and declined to give any clue as to the size of possible tax cuts in next year's budget. He also dropped all forecasts of government revenues from the statement.

The Government's medium term financial strategy assumes that it will have £3.5bn available for tax cuts in the spring, but that forecast may now have been overtaken by events in the foreign exchange and oil markets. The general view in the city last night was that on current trends the scope for tax cuts next year may be between £2bn and £2.5bn.

Mr Lawson said that the UK economy should grow by 3 per cent in 1986, against 3½ per cent this year when adjustment was made for the impact of the miners' strike. The underlying growth rate would be 3 per cent this year and 2½ per cent in 1986.

The emphasis of growth, however, would shift from exports and investment to consumer spending, which would be boosted by high earnings and falling inflation.

The annual inflation rate is forecast to fall from the present 5.9 per cent to 3¾ per cent by mid-1986 and should remain at that level for the second half of the year.

"If the forecast is correct – and I am the first to admit its inevitable fallibility – 1986 promises to be the first year since the sixties when inflation and growth will be within one point of each other," Mr Lawson told the House of Commons.

The package, however, drew a less than enthusiastic response from the Confederation of British Industry, which said that planned changes in provision for redundancy payments could cost industry £250m a year. The CBI said that the increases in capital spending announced by Mr Lawson did not go far enough.

The Trades Union Congress said the statement offered nothing for the unemployed, while Mr Roy Hattersley, economic spokesman for the opposition Labour Party, said that the asset sales programme was an example of "electoral manipulation."

As expected Mr Lawson an-

Continued on Page 28

Full details, 14–18; Editorial comment, Page 26; Lex, Page 28

BMW may buy stake in aerospace group MBB

BY JOHN DAVIES IN FRANKFURT

BAVARIA'S state government has been sounding out the prospects of arranging a link-up between BMW, the West German car maker, and Messerschmitt-Bölkow-Blohm (MBB), the aerospace and defence company.

The move would extend BMW's involvement in high technology, matching similar efforts by other car makers, including Daimler-Benz of West Germany and General Motors of the US.

BMW, which expects sales to reach DM 18bn ($6.9bn) this year, said yesterday it had been approached by the Bavarian Finance Ministry about taking a stake in MBB, whose sales amounted to DM 5.7bn last year. BMW made clear that it would be prepared to consider the idea, if it were offered control over the aerospace group.

The proposal is at a very early stage and faces many obstacles, including political ones. It is by no means certain, therefore, that BMW will in fact be offered a controlling stake in MBB or even that it would accept a stake on the terms offered.

Bavarian politicians see such a link-up as a way of strengthening their state's industrial power, especially against neighbouring Baden-Württemberg, the home state of Daimler-Benz.

Mr Franz Josef Strauss, the controversial Bavarian premier, is an ardent advocate of building up high technology in his state, which already has a heavy concentration of West Germany's electronics sector.

MBB is owned by a complex matrix of minority interests, including the state governments of Bavaria, Hamburg and Bremen, the Thyssen and Krupp steel groups, the Siemens electronics group, Dresdner Bank, Bayerische Vereinsbank, the Allianz insurance group and a Messerschmitt family foundation.

Some shareholders would be happy to sell out, and the Bavarian Government is trying to put together a deal which would ensure MBB a sound future at the same time as boosting Bavaria. However, the non-Bavarian shareholders can be expected to give such moves close scrutiny.

MBB is involved in civil and military projects, and is one of the main partners in the international consortium which builds the Airbus and the Tornado. It is a key member of a group which recently bought a majority in Krauss-Maffee, the West German armaments maker, from the Flick group.

If BMW were to take a controlling stake of 30 to 40 per cent in MBB, it would amount to a sizable financial investment.

Stock market report, Page 50

French mortgage agency seeks Gallic sister for Fannie Mae

BY DAVID MARSH IN PARIS

FRANCE's new mortgage financing body, set up along similar lines to the Federal National Mortgage Association (Fannie Mae) of the US, is searching for a suitably feminine name.

Mr Georges Plescoff, the veteran French financier who is chairing the recently set up Caisse de Refinancement Hypothécaire, yesterday said his agency needed a more beguiling, US-style name to charm investors on the capital markets.

The agency is soon to start issuing bonds at the rate of FFr 1bn to FFr 2bn ($125m to $250m) a month to back housing loans made by France's big banks, in a key step to revitalise the mortgage market.

Marianne, the womanly incarnation of France, is already used extensively to sell French state bonds. Mr Plescoff suggested in jest yesterday that the Caisse de Refinancement could be nicknamed "Clochette," since its bond issues look likely to become a bellwether of the French bond market. (Cloche is French for bell.)

The Caisse de Refinancement, which looks set to become one of the biggest issuers after the Government itself on the bond market, has been set up with a capital of FFr 100m. It is owned by big French banks with activities in the construction and housing credit markets. Along with the main specialised housing financing banks and the big three nationalised banks, Britain's Midland Bank has a 9.2 per cent stake.

Bonds issued by the Caisse de Refinancement will carry a state guarantee. Mr Plescoff said the first issue, in the form of a permanently-available tap stock, will run for 12 years and carry a nominal interest rate of between 10.5 and 11 per cent. Terms are due to be decided shortly.

Tap stock issues – which have been introduced by the French Treasury this year to provide a form of flexible financing for the state – were most suited for the Caisse de Refinancement because of competition from other borrowers on the market, Mr Plescoff said. He said the agency's shareholder banks, which will pass on the proceeds of the issue in the form of loans to clients for property purchases and housing modernisation, were looking for a total of FFr 4.5bn to FFr 5bn from the first tranche of borrowing.

The agency's capital would need to be raised from FFr 100m next year, he said. The fundamental aim behind the new procedure for mortgage bond issuing is to cut the overall cost of housing finance. Up to now, banks making housing credits have refinanced these loans through a mixture of proceeds from the money, mortgage and bond markets – three sections of the French capital markets which the Government is trying to harmonise. Setting up a centralised agency to handle part of the banks' capital market operations could cut the cost of intermediation in housing finance by about ½ percentage point from the present figure of between 1.5 and 3 per cent, Mr Plescoff said.

- The French Finance Ministry is issuing a new tranche of tap stock, expected to total about FFr 10bn to contribute to fourth-quarter financing for the Treasury. Final terms are to be set on November 14.
- The French atomic energy com-

Continued on Page 28

Bonds, Page 29

US in export finance battle with France

BY NANCY DUNNE IN WASHINGTON

THE US Export Import Bank has made six offers of concessionary export financing, worth $280m, in a direct attack on France's support of mixed credits.

Mr William Draper III, head of Eximbank, yesterday announced the details of the six offers but said the US would drop its aggressive bidding if France and the other members of the Organisation of Economic Co-Operation and Development agreed to raise the aid component in tied aid financing to 50 per cent from 25 per cent.

The aim is to make this type of concessionary financing so expensive that it will rarely be used. Mr Draper said that if the competitors submitted new bids which were even lower, the US would also make improved offers to beat them.

Five of the offers will include $69m in grants from President Ronald Reagan's proposed $300m "war chest" which has still to get congressional approval. The sixth will include $7m worth of funds from the US Agency for International Development.

The President asked for the $300m to counter the practice of mixing foreign aid and commercial financing, and there is little doubt that Congress will accede to his request.

> British banks are to offer long-term reduced-interest rate loans to developing countries under a government scheme to boost UK exports. Page 11

Mr Draper identified the six offers as follows:

- Rail cars and support equipment for the Algiers metro, a deal worth $145m. The Eximbank offer is in support of Transit America (previously the Budd Company) of Philadelphia. The major competition is Alsthom-Athlantique of France, which has bid but has not made a mixed credit offer.
- Navigation aid and communications equipment to be installed in 12 airports throughout Brazil, worth $52m. The US supplier is Calmaquip Engineering of Miami, a small engineering company which would procure and install equipment manufactured by as many as 180 American subcontractors.

The competition is Thomson CSF of France, which has not made a mixed credit offer and was a prime supplier to Sao Paulo airport.

Continued on Page 28

Monetary system 'needs stability'

BY STEWART FLEMING IN WASHINGTON

MR JAMES BAKER, US Treasury Secretary, gave cautious encouragement yesterday of further efforts to improve the functioning of the international monetary system.

Mr Baker told a US congressional conference on exchange rates and the dollar, that there was "a clear need to improve the functioning and the stability of the system... The current system has not been as stable as we would have liked."

He maintained, however, that the existing, essentially floating rate, regime had provided a useful framework for dealing with economic shocks.

Mr Baker's remarks came against a background of a chorus of criticism of the floating rate system from many of the delegates speaking at the conference yesterday morning, who included government officials and policymakers as well as representatives of private industry from around the world.

The conference is the brainchild of two of Washington's best known politicians, both of whom are seen as potential presidential candidates in 1988, Senator Bill Bradley, a moderate Democrat from New Jersey and Mr Jack Kemp, a right-wing Republican congressman from Buffalo in New York.

Their decision to launch the conference is seen as indicative of the swelling tide of support on Capitol Hill for new initiatives aimed at trying to improve a floating exchange rate system which its critics argue has not lived up to its promise of promoting increased international economic stability, not least because of the dominant role which capital flows are now playing on the world's financial markets.

The delegates include Mr Richard Darman, Deputy US Treasury Secretary; Mr Preston Martin, Federal Reserve Board vice chairman; and Dr Helmut Schlesinger, Bundesbank vice president.

Olszowski is out but for how long Poles ask

By Leslie Colitt in Berlin

THE OUSTING from the Polish leadership of Mr Stefan Olszowski, the Foreign Minister and chief hard-line rival of General Wojciech Jaruzelski, was the most spectacular move since Poland's Communist Party leader and new President set Warsaw's political carousel spinning last week.

It was Mr Olszowski's second removal in five years from the ruling Politburo and appeared this time to mark his political demise. But some Poles wondered whether the ambitious 55-year-old party stalwart might not again bide his time until a day when he could challenge Gen Jaruzelski.

> Marian Orzechowski, 55, replaced Stefan Olszowski as Foreign Minister in a major cabinet reshuffle announced last night by Polish Prime Minister Zbigniew Messner. Three new deputy prime ministers and nine new ministers were appointed.

Few people in Warsaw yesterday accepted the official explanation for Mr Olszowski's "resignation." He was not the sort of man who wished to devote himself to "journalistic and scholarly work."

Mr Olszowski throughout his 15 years in the corridors of power was widely believed to be "Moscow's man" in the Polish leadership. Although consecutive Soviet party chiefs suspected that a Polish nationalist lurked behind his friendly exterior, he served to warn every Polish leader that if the worst came to the worst Mr Olszowski was always waiting in the wings.

Mr Olszowski was first removed from the Politburo in February 1980 when he was made a scapegoat for the country's economic turmoil. The leader at the time, Mr Edward Gierek, exiled him to East Germany as Polish ambassador, a come-down for a former foreign minister. He had strongly insinuated that Mr Gierek was personally responsible for Poland's brewing economic and social crisis.

The ambassador's political star, however, rose with amazing speed. Ironically this time it was linked to the nationwide strikes in August 1980 which led to the creation of the Solidarity trade union and Mr Gierek's ousting.

In the stormy months of early 1981 when the Polish Communist Party appeared to be fast disintegrating, it was Mr Olszowski who led the hard-line faction against re-

Continued on Page 28

Debt test for Government, Page 3

CONTENTS

EUROPEAN NEWS

MEPs' budget strategy attacked

BY QUENTIN PEEL IN STRASBOURG

THE EUROPEAN Parliament was yesterday accused of endangering the entire process of agreeing a balanced budget for the enlarged 12-member EEC next year, by greatly exceeding its legal powers to increasn spending.

Members of the Assembly are set tomorrow to vote through budget amendments to incrase the dralt proposed by member-states from Ecu 31.79bn (£18.4bn) to Ecu 34bn (£19.7bn).

They insist that the draft fails to take into account either the cost of Spanish and Portuguese membership of the Community from January 1, or the accumulation of past commitments on social and regional spending.

The parliament's stralegy was challenged yesterday by Mr Jean-Claude Juncker, Luxembourg minister who is the chairman of the member-states' budget council.

In response, speaker after speaker in the Strasbourg assembly occused the budget ministers of failing in their responsibility to the new member-states and of violating the rules of the Treaty of Rome by failing to provide for known commitments.

Mr Joncker said the MEPs were in effect increasing spending on the non-agricultural parts of the EEC budget by 36 per cent, instead of the 7.1 per cent to which they are legally entitled, and the average of around 5 per cent currently being observed by the individual member-states in their own national budgets.

"The assembly is about to agree on a stralegy which could seriously compromise the goal of a balanced budget," he said. He accused the members of ignoring their own priority of concentrating on unemployment measures and famine relief for the Third World, by proposing instead a patchwork of amendments worked ont to satisfy the different nolitical factions.

The plan which the MEPs have to vote tomorrow would restrict use of the parliament's own spending margin — a modest Ecu217m, to new policies such as research and development and alternative energy schemes.

The plan would add a separate amount of almost Ecu 700m to the budget, earmarked for Spain and Portugal —spending which the budget Ministers admit is required, but deliberately put off until the second reading of the budget.

Finally, the MEPs are seeking to add some Ecu 1.1bn as a once-off payment to settle past commitments to the regional and social funds, accumulated because of the process of budget trimming indulged in every year by the Council and Parliament.

The looming dispute between the two arms of the EEC budgetary process which recurred every year, will now be referred to a meeting today of the three Presidents—of the Budget council, the Parliament and the European Commission.

Commission to offer service for small businesses

By Paul Cheeseright in Brussels

THE European Commission is mounting a scheme to draw together the advisory services for small and medium-sized companies into a computerised network designed to foster co-operation across national borders.

The scheme will be called Business Co-operation Network — BC-NET — the Commission said, yesterday. It will become the main vehicle of the Commission's existing Business Co-operation Centre, which since 1973 has acted as marriage broker and information source for small companies.

The idea is to build on the myriad centres of information for small businesses—chambers of commerce, trade federations, regional development agencies and so on—and draw them into a computer network.

A small business seeking information, joint ventures, subcontracting work or permanent links with another company in a different country could approach one of the advisory centres on the network and then have access to all the available data on the problem in question.

The first phase of the BC-NET operation, costing Ecus 439,000 will be the development of the computer facilities linking up to 25 advisory bodies and the existing 140 Business Co-operation Centre correspondents.

Greece to seek EEC loan

BY ANDRIANA IERODIACONOU

MR COSTAS SIMITIS, the Greek Economy Minister, is to start negotiations with the European Commission tomorrow on a possible EEC loan to help Greece's balance of payments crisis.

The minister will meet Mr Jacques Delors, the European Commission President and other officials, to launch discussions on o possible rescue plan.

The Commission is understood to be willing to consider short-term assistance nnder Article 108 of the Treaty of Rome, rather than a long-term loan through the so-called Artoli facility such as the one granted to France in 1982. But the Commission wants Greece to accept certain terms which Athens is finding difficult to accept.

According to an announcement issued by the Greek state news agency yesterday the Commission is linking its possible agreement to a postponement of the value added tax deadline to an increase in Greece's contribution to the Community budget while it is reluctant to agree at all to the other deadline extension requests.

Greece's current account deficit is expected to touch $3bn this year while according to the central ban kthe country's foreign deht currently stands around $15hn. The net public sector borrowiog requirement is expecled to reach 18.7 per cent of GNP in 1985.

Paul Cheeseright adds: Greek plans to use Community funds to stave off balance ot payments difficulties appeared in Brussels yesterday to be running into trouble.

The details of how much and under what conditions Greece could borrow were expected to have heen settled at a secret meeting of the Community's monetary committee last weekend.

But there appears to have been no agreement in the monetary committee and no proposal on which the Commission itself could decide at its meetiog today. This suggests that other members of the Ten are demanding stricter cooditions

Nordic television project set to go ahead

BY DAVID BROWN IN STOCKHOLM

THE Governments of Sweden, Norway, Finland and Iceland have resolved a financing disagreement which has threatened the SKr 1.5bn (£134m) Nordic television and telecommunications satellite project (Tele-X), clearing the way for launch in early 1987.

The agreement covers SKr 334m in transmission, programming and translation costs for a three-year trial period.

The pnblic broadcasting administration will jointly administer two television channels of edited all-Nordic content, competing with privately-owned cable and satellite stations, as well as with the national telecommunications administrations.

It has been agreed that Sweden will cover roughly half the total costs, with the remaining half to be divided between Finland and Norway.

Iceland will pay a nominal fee of about SKr 3m for access. Details of programming and simultaneous translation remained to be solved. Denmark has also been invited to join the project.

Tele-X has been the subject of extensive wrangling between the Nordic countries, which at one point earlier this year threatened to ground the entire project.

Sweden had originally demanded total rental fees of SKr 450m for the three years, while Norway and Finland proposed SKr 120m.

Moreover, there is cootinuiog bitterness in Norway and Finland about the fact that some 80 per cent of the total contracting has been awarded to Swedish companies.

US expected to hold talks with Nato on research fund

By Bridget Bloom, Defence Correspondent

THE U.S. Defence Department expects within the next few months to negotiate agreements with its North Atlantic Treaty Organisation (Nato) allies on the allocation of a new $200m (£142m) US fund to finance a joint research and development programme on conventional weapons.

Mr William Taft, the US deputy defence secretary, who is expected to present details of the new fund to a special Nato Council meeting in Brussels on Friday, confirmed in London yesterday that the principal projects financed by the fund would he so-called emerging technology weapons designed to improve Nato's conventional defences in the 1990s.

These range from communications to controversial new anti-tank munitions and new missiles.

The creation of the fund is a direct result of an amendment to the US 1985 Authorisation Bill tabled by Senator Sam Nunn. The purpose is to provide seed capital for joint US-European R and D programmes. Some $200m will be set aside as the US component with so far undetermined sums being expected from European governments.

A further $50m has been allocated to allow joint evaluation of US conventional arms alongside those manufactured by European companies.

The fund is seen as the principal carrot in current US attempts to get Europe to do more in its own defence. One of the sticks was last year's amendment by Senator Nunn which threatened US troop withdrawals and other penalties unless such improvements were made.

Yesterday Mr Taft, who was addressing the International Institute for Strategic Studies, spoke warmly of European efforts to step up collaborative production of weapons which improving Nato's conventional capabilities. He warned, however, that progress in Europe should not be achieved at the "expense of Alliance solidarity."

French N-powered naval forces must grow says Minister

BY DAVID MARSH IN PARIS

MR Paul Quiles, the French Defence Minister, in a speech yesterday strongly criticising the US Star Wars programme, proposed building up France's nuclear-powered naval forces to improve its capacity to handle international crises.

Mr Quiles said France should place a contract in 1989 to build a second nuclear-powered aircraft carrier in addition to the first boat on which work is vessels would replace France's due to start next year. The two conventional aircraft carriers Foch and Clemenceau during the 1990s.

He also called for the building of two more hunter-killer nuclear submorines in addition to the two already in service and five under order.

Mr Quiles, in o speech to the National Defence Studies Institute, pointed out that during the Falklands War in 1982 the "simple announcement" by the UK Defence Ministry (which later turned out to be false) of the presence of a British hunter-killer submarine in the area "had forced all the Argentine fleet to stay in harbour."

Mr Quiles, who took over in September following the resignation of the previous Defence Minister, Mr Charles Heron, over the Rainbow Warrior affair, used his speech yesterday to step up French attacks on President Reagan's Star Wars research programme.

He soid the French Atomic Energy Commission (CEA) believed it could develop a nuclear warhead by 1994 to be fitted to France's submarine-launched ballistic missiles that would be "almost invisible" to enemy detection.

He confirmed that he had set the CEA "very ambitious objectives" for the miniaturisation of existing warheads by 1994, this is, the scheduled date for entry into service of France's planned seventh missile-carrying nuclear submarine.

The CEA has already in recent weeks developed the idea of building discreet warheads to "punch holes" in any defensive shield built by the Soviet Union in line with the US Star Wars progromme.

Mr Quiles said defensive weapons systems had always been more expensive than offensive ones. Listing a string of technological and economic reasons why the idea of developing a Star Wars-type "sealed defensive screen" carried "little" credibility, Mr Quiles said that the same technologies which made available defensive strategies could also give the same boost to offensive technologies.

"The sword always ends up triumphing over the shield," declared Mr Quiles, noting that development of ground-air missiles had not "condemned" aeroplanes.

Volcker briefs bankers in Basle on debt initiative

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MR PAUL VOLKER, Chairman of the Federal Reserve Board, tional Settlements (BIS) in yesterday made a rare appearance at the Bank for Interna- Basle to brief fellow central bankers on the US initiative for easing the developing country debt problem.

The initiative, launched at last month's International Monetary Fund meeting in Seoul, calls on commercial banks to lend an extra $20bn to the most heavily indebted countries over the next three years, with similar net amounts coming from the World Bank and Inter-American Development Bank.

While the central bankers at yesterday's meeting broadly welcomed the plan, many are known to believe that more work needs to be done on specific issues.

● Lord Richardson, former governor of the Bank of England, was elected vice-chairman of the Board of Directors of (BIS) yesterday, AP-DJ reports from Basle.

Lord Richardson, who was governor of the Bank of England from 1973 to 1983, succeeded Mr Bernard Clappier, honorary governor of the Bank of France.

W. Germans hold mixed feelings about army

By Rupert Cornwell in Bonn

A CONTRASTING mixture of lavish official ceremonies and defiant far left protest has underlined the enduring ambivalence of West Germans towards the country's armed forces, the Bundeswehr, which yesterday celebrated its 30th birthday.

It was not until November 12, 1955, more than a decade after the destruction of the Third Reich and the greatest moral and military collapse in German history, that the first 101 men signed on for the new Bundeswehr, proof and symbol of West Germany's entry into the Nato alliance.

Since then it has blossomed into a fighting force of 495,000 men, and the biggest single contributor to the conventional defences of Nato in Europe.

Total military spending by Bonn next year will top DM 50.3bn (£13.5bn), almost a fifth of the federal budget.

That success, and the slow acceptance of the Bundeswehr as a largely "people's army" (225,000 of its total strength is provided by conscripts) is being marked by a host of celebrations which this week reach their climax.

Mr Phillip Jenninger, the Bundestag President, yesterday opened an exhibition covering the history of the Bundeswehr in the Parliament buildings here. Later President Richard von Weizsaecker, the Head of State, Mr Manfred Woerner, the Defence Minister, and Lord Carrington, Secretary-General of Nato, were taking part in an evening ceremony at the Ministry.

Today the entire Bonn Cabinet, headed by Chancellor Helmut Kohl will attend a parade of troops on the military training area of Bergen-Hohne in Lower Saxony, in a gesture intended to underline the Government's commitment to the armed forces as an instrument for maintaining the peace.

But the very fact that such elaborate commemorations are felt necessary reflects the mixed feelings about the Bundeswehr —even though it has now survived longer than its two predecessors, the Reichswehr of the Weimar Republic and Hitler's Wehrmacht, put together.

Presenting medals yesterday to 46 soldiers, reservists and civilian members of the Bundeswehr, Mr Werner declared that if the integration process was to be completed, "then not only must the armed forces open themselves to society, but ordinary citizens must turn towards the Bundeswehr."

The minister was speaking at the Ermekeil barracks in Bonn, where the first volunteers signed on in 1955. Outside, as part of a day of protest organised by the West German peace movement, more than 100 demonstrators shouted slogans and acted out scenes mocking the Bundeswehr.

But beyond the objections of those opposed to any modern German army, the Government also has to worry about more practical problems. The falling West German birthrate has already forced Bonn to lengthen military service to 18 from 15 months from 1989, and would dearly like to attract more career soldiers.

Surveys, moreover, have revealed the insecurities of many officers, as the heirs to the discredited German military ethic of earlier this century.

Herr Wörner's efforts to produce a new "charter of guidelines" for the Bundeswehr are understood to have run foul of argument over how the Wehrmacht's involvement in the Nazi disaster should be treated.

Even the anniversary date itself is a trifle ambiguous. November 12 marks not only 30 years of the Bundeswehr, but the 200th anniversary of the birth of Count Gerhard Johann David von Scharnhorst, who reformed the Prussian army after defeat hy Napoleon.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. © The Financial Times Ltd, 1985.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Investors 'must not expect high returns in short term'

BY WILLIAM DAWKINS IN GENEVA

FINANCIAL TIMES
VENTURE CAPITAL
CONFERENCE

US AND European venture capitalists warned yesterday that investors should not expect too much of their ability to deliver high returns in the short term.

Patience and strong nerves were required to back small companies — especially high-technology ones—a fact that too many investors had overlooked.

That was the main theme of the day of the FT/Venture Economics Conference, Venture Capital in 1985—the international Outlook.

Mr Stanley Pratt, chairman of Venture Economics, the US research consultancy, pointed out in introducing the conference that the impressive returns achieved by US venture capital groups earlier this decade had led entrepreneurs and investors to pitch their expectations too high.

This was now less true, thanks to the widespread decline in valuations of high-technology shares in secondary stock markets in the US and Europe.

Mr Peter Brooke, managing partner of the International Venture Capital group T. A. Associates, pointed out that the venture capital industry needed a long time to prove itself.

"Venture capital is reputed to be the answer to poor investment performance on the one hand and the vehicle to re-order the industrial landscape on the other.

"To be realistic, it is—if applied properly—an aid to the overall investment performance of a money manager and an interesting tool in development. No more nor less."

But if it was to be a useful economic tool, venture capital had to be used only within the context of a country's economic development plan—and that meant adapting investment to local conditions.

It made little sense, for instance, to invest in a semi-conductor company in Austria, given the competitive edge of the US and Japan. It was "better to invest a technology where the nation has a comparative advantage."

Mr Thomas Perkins, general partner of the US venture capital partnership, Kleiner Perkins Caulfield and Byers, agreed that until recently "investors' expectations had got completely out of whack with what was really possible to achieve."

The rapid growth in the number of companies backed by the US venture capital industry meant that front managers' skills were getting increasingly stretched.

Mr Perkins estimated that last year the average US venture capitalist was managing $14m investment in 15 companies, whereas two years ago he was handling just $7m invested in eight ventures.

There was a risk that the links between small companies and their ultimate backers became increasingly remote as the industry grew, warned Mr Peter Crisp, managing partner of Venrock Associates, the US venture partnership.

"Because many companies had made several rounds of funding, they have a long list of investors. The result is that no individual managers feel personally responsible for that particular project."

Returns from small public invested companies in the US were still far higher historically than was the case for their larger counterparts, Mr David Beltel, chairman of Crown Advisers, the US institutional investment advisory group, said.

Investments in small public companies over the past two to five years had yielded two to three times the returns of investments in larger companies. "Tht is not to say that the ride cannot be volatile on the way."

Mr Ronald Cohen, chairman of the British venture capital group, MMG Patricof, highlighted the extent to which UK industry owed much of its growth to the success of the Unlisted Securities Market and encouragement from the Government in the form of the Business Expansion Scheme, reductions in corporation tax rates and tax concessions for executives and employee share options.

Yet there were still important areas to be overcome.

The single most important conditions for a prosperous venture capital industry was a successful secondary stock market, said Mr Harry Fitzgibbons, managing director of the US investment bank, L. F. Rothschild, Unterberg Towbin International.

Mr Volker Dotch, chairman of Dotch Logic Instruments, the West German microprocessor venture, emphasised the importonce of a venture capital community which could understand the technology it was being asked to invest in.

West German banks' inabilit yto grasp Dolch Logic's technology had forced him to raise funds in California. However, things have "damatically changed since then."

The contribution which universities can make to the venture capital industry by spinning out research ideas should not be ignored, said Mr Guido de Clerq, president of the Internatiodnal Association of Consultants in Higher Education Institutions.

Greek Government denies plan to avert general strike

BY ANDRIANA IERODIACONOU

THE GREEK Socialist Government yesterday denied local press reports that it is considering taking emergency action to avert a nationwide general strike tomorrow.

The strike has been called by a militant majority of Socialist and Communist trade unionists in the leadership of the Greek Trade Union Congress (GSEE), in protest against an economic austerity programme announced by the Government last month.

A key demand is the lifting of a two-year wage freeze in the public and private sector imposed by the Government as part of its effort to curb public sector and current account deficits.

Until yesterday, over half of Greece's regional and sectoral trade union federations were reported to have participation in the strike, representing an estimated 1.5m workers, out of a non-agricultural workforce of about 2.5m.

Under Greek law the Government could stump Thursday's action by declaring "civil mobilisation," a device which the Socialists have used effectively in hteir four years in power against strikes by state hospital personnel, and civil air employees.

The Government coold also insist on the strict application of legislation introduced in 1983 but never properly followed, according to which, to be legal, strikes in the public sector must be approved by 51 per cent of the registered members of a union.

A Government official said the Socialists' strongest weapon was "political persuasion." Party officials are reported to be campaigning actively against the strike in trade unions.

Poland stumbles into vicious circle over debt rescheduling accord

BY DAVID BUCHAN IN WARSAW

POLAND's new Government, reshaped to focus more on the country's myriad economic problems, faces a crucial meeting next week in Paris with its official foreign creditors.

There is not only doubt whether a rescheduling of Poland's 1985 debt to western governments can be agreed, but some possibility that the multilateral accord on rescheduling some $12bn principal and interest arrears from 1982-84 may come unstuck, only four months after it was signed.

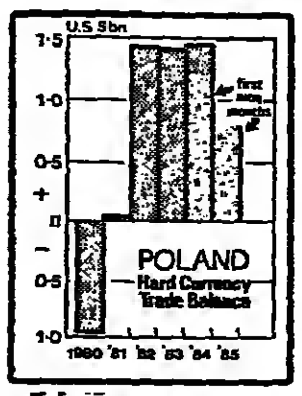
Indeed, some Polish officials see a catch 22: only with a loan from the International Monetary Fund may Poland be able to support even rescheduled payments on its official debt, in addition to its renegotiated obligations to western commercial banks.

But until Poland settles rescheduling terms with its 17 western government creditors which also happen to be the most powerful group of IMF shareholders, it probably will not get voted into the IMF.

Poland of course had not meant it to be this way. It said, as the price for starting payments this year on its 1982-84 official debt arrears, it expected substantial new trade credits—a figure of $800m was mentioned—from western governments.

There has only been a tiny trickle—$40m from Austria and the possibility of DM 100m (£26m) from West Germany. This yesr only one government outside the western creditors club, Argentina, has given Poland some credit.

Looking at Poland's bard currency trade this year, some wesetrn officials do not see how Poland can sustain its current



reschedulinga obligations, let alone take on new ones. The hard currency trade surplus totalled $800m in the first nine months of this year, compared with $1.2bn in the same period last year.

Mr Andrzej Dorosz, deputy Trade Minister, chiefly blames last winter's hard weather, which raised domestic energy demand and hit steel output, for the lower surplus.

In fact, the Government has a bit more hard currency at its disposal than the trade figures would suggest. Individual Poles were told in the spring that they would take their hard currency holdings from underneath their mattresses and put them into normal interest-bearing accounts, without any questions asked

By this ruse, an extra $270m to $300m in hard currency entered the banking system. Counting this once-for-all gain with the trade surplus, some officials estimate that the government will this year bave between $1.7bn and $1.8bn at its disposal, compared with last year's hard currency surplus on visible and invisible trade of $1.85bn.

But this still does not appear to be enough to cover the $800m to $900m payment for clearing up 1981 official debt arrears, a $500m down payment on 1982-84 arrears, and the sum of about $1.2bn to $1.3bn due to western commercial banks this year. It will be the western governments, Polish officials say, who will bave to lose out, not the commercial banks, with whom tbey have negotiated rescheduling terms "free" of politics."

Now trading only on a cash basis, because few western banks will provide Poland with more tban very short-term trade credit in the absence of western government guarantees, Poland's imports from the west are 40 per cent lower than in 1979-80. Yet industrial production was only 5 per cent lower in 1984.

Part of this is due to higher imports from the Soviet Union, giving Poland a deficit of more than 700m roubles with Moscow this year. But part is also increased productivity and efficiency stemming from economic reform and the simple fact of having to make do with less.

It is very doubtful whether Poland will have any cash to modernise its industry, beyond finishing some projects started before 1980, or to raise living standards over the next five years. "You cannot build investment projects on cash, you need some credit," says Mr Stanislaw Dlugosz, deputy chairman of the State Planning Committee.

Yet without some new investment, there seems little prospect of the Polish economy growing out of its debt crisis.

Sharp price rises dash Turkey's inflation hopes

BY DAVID BARCHARD IN ANKARA

THE OZAL Government's hope tbat it could bring down Turkey's runaway inflation received a setback yesterday when the state institute of statistics announced that retail prices rose by 6.3 per cent last month.

The institute puts inflation over the past 12 months at just under 46 per cent. A few days ago Mr Turgut Ozal, the Prime Minister, cast doubt on claims by the Istanbul Chamber of Commerce tbat its index suggested inflation in the city had been nearly 7.5 per cent in October.

Bringing down inflation bas been the Government's major economic target for most of the two years since it took office. Last year inflation reached 53 per cent instead of the targeted 25 per cent. This year the Government will be reasonably satisfied if it holds inflation down to 40 per cent. However, it is still targeting for 25 per cent in 1986.

Continuing high inflation has kept interest rates above 50 per cent to borrowers and delayed the full recovery of Turkish industry from its problems earlier this decade. It has also deterred foreign investors

Clemency for political prisoners

THE POLISH Government said yesterday that most of the country's political prisoners would be released from jail under a clemency decision announced by the Prosecutor-General, AP reports from Warsaw.

Mr Jerzy Urban, government spokesman, told a Warsaw news conference that some political detainees had already been freed after a review of their cases by local prosecutors.

"I cannot tell you how many have been released," said Mr Urban, speaking at his weekly news conference. "The Prosecutor will inform about that [the releases], but I think it will be a majority [of political prisoners]."

A spokeswoman at the Prosecutor-General's office said in a telephone interview that no information was available on how many prisoners had been freed so far.

The Prosecutor-General said on Saturday that prosecutors and courts would begin reviewing cases of the officially reported 368 political prisoners for possible release on "humanitarian" grounds.

Mr Urban said that it would not be possible to determine how many prisoners were eligible for release until their cases were reviewed individually.

The Government said clemency would not be granted to prisoners charged with socially "dangerous" offences, those who had served previous sentences and those released under amnesties in 1983 and 1984.

Recording 'not a fake'

A TAPE RECORDING being used against a former Turkish Government minister accused of bribery has been found by experts not to have been tampered with, a judge hearing the case said yesterday, Reuter reports from Ankara.

Supreme Court President Semih Ozmert said experts reported that the 29-minute recording was of an unedited conversation between Mr Ismail Ozdaglar, a former Minister of State, and Mr Ugur Mengenecioglu, a shipping magnate.

Mr Mengenecioglu had told the court he gave Mr Ozdaglar Turkish liras 25m ($45,000) as a first instalment of a pay-off he demanded in return for a contract to bring oil to Turkey from Iran.

Mr Turgut Ozal, Turkey's Prime Minister, testified in August that Mr Ozdaglar had confessed to him when told of the tape recording.

Mr Ozdaglar has denied the charge, saying he is a victim of Turkish shipowners opposed to his plans to put oil transport contracts out to international tender.

Jimmy Burns explains the delicate political problems posed by the trial of Gen Galtieri and his colleagues

Junta in the dock as Falklands court martial starts

During the 1982 Falklands war the only occasions on which foreign journalists were allowed into the Argentine Army's First Corps barracks in Buenos Aires were to take guided tours of the "museum of subversion." Accompanied by an officer, journalists were advised to reject reports of military murder and torture and to look upon the waxwork terrorists and their heroic victims in uniform as the only truth.

To return to those harracks at the start of the court martial this week of 16 officers accused of negligence in the planning and conduct of the Falklands war was to get a measure of the political change taking place in Argentina, and of those who are resisting it.

Accompanied by e bearded young Presidential Press spokesman, we were led to the court room where the men in the dock looked somewhat sheepish under the glare of the television lights.

The most remarkable aspect of the Falklands court martial is that it is finally taking place. It has taken the Argentine armed forces three years and five months officially to assume their defeat at the hands of the British in June 1982, and to set in motion the judgment of the main culprits. The delay demonstrates that the military is marching more slowly than the people to Argeotina's new democratic tune.

The trial was ordered by the outgoing junta of President Reynaldo Bignone in November 1983, when the pressure of events had made some public rendering of accounts inevitable.

A week after the trial was ordered, the full details of an official investigation into the Falklands war were published in the local media, and several books on the conflict written by Argentine and English writers have reached the top of the best seller lists.

It is understood that the *military prosecutor will agree* with the broad findings of the official commission, which laid the main *blame on the three*-man junta of General Leopoldo Galtieri, Admiral Jorge Anaya and Brigadier General Basilio Lami Dozo for pursuing a war with Britain without the necessary diplomatic support or military preparation.

In addition, General Mario Benjamin Menendez, named by the Argentines as military governor in Port Stanley, is charged with having failed adequately to deploy his troops around Port Stanley and for having demoralised the conscript army which finally capitulated to the British.

The prosecutor is expected however to press for much lighter sentences on the main accused than those which were originally suggested by the official inquiry, according to one leaked report.

Admiral Jorge Anaya (left) and Gen Leopoldo Galtieri in court this week

The use *of military force*, he is likely to say, although misguided was "not totally unreasonable" since the military occupation of the islands was essentially e "defensive reaction" to the aggression initially shown by Britain's diplomatic intransigence and over-reaction to the Argentine scrap merchants putting up their flag on South Georgia. The British taskforce set sail two weeks later.

If the prosecution had endorsed fully the findings of the official report former President Galtieri and former Navy Chief Admiral Anaya would face the death penalty, permitted under military law for extreme cases of misconduct in time of war.

Instead, the prosecutor is planning to recommeod prison terms of *12 years for* Gen Galtieri and Admiral Anaya and four years for Gen Menendez. Brig Gen Lami Dozo is likely to face a sentence of less than 10 years while the hulk of the remaining officers may well be acquitted including Lieutenant Alfredo Astiz, the commander of the Argentine forces on South Georgia.

Among the mitigating factors in favour of Gen Galtieri, the prosecutor points to his "patriotic feelings supporting the recovery of the Malvinas, which have been implanted on our fellow countrymen from an early age."

Military *officials justify* the apparent whitewash as a "restored sense of balance" after the "distorted" version of events readily absorbed by the Argentine public and junior officers in the bitter aftermath of the war.

But even if one accepts that on April 2, 1982 most Argentine's readily endorsed Gen Galtieri's "patriotism" by enthusiastically backing the military invasion, the trial by its very nature will not provide a complete picture of the military's conduct during the conflict.

A secret trial was demanded by the *military and accepted in* the aftermath of the publicity given to the human rights trial of the *nine members of the* three juntas which ruled Argentina between 1976 and *1982* when *9,000* people "disappeared."

A veil of silence is likely therefore to descend on such questionable activities as contraband arms deals and the use of hospital ships for military re-enforcements. According to some reports the ministry has also conceded that details about Chile's apparent military co-operation with Britain could be politically embarrassing, given Argentina's current peace treaty with its neighbour.

The extent to which the former military regime's own domestic unpopularity may have motivated the Falklands adventure as a diversionary tactic is unlikely to be analysed in this strictly "military" court martial.

Nor will the proceedings ponder the alleged link between the Argentine military's incompetence in fighting a conventional war and its long history of planning focused almost exclusively on internal repression and politics.

Nevertheless, however biased the final verdict in mid-December, the armed forces are unlikely to emerge exonerated. Argentine public opinion has already taken a great interest in the human rights trial and the nature of those former *regimes* has been most brutally exposed.

The lessons that will be drawn from the *Falklands court* martial are less clear. Some military officers firmly believe that Argentina might have won the war, given more advanced weapons systems, a more professional and fighting force, and better commanders. The trial may thus stimulate inter-service rivalries about who should get the higgest slice in an increasingly small defence cake.

Its effect on Government policy is likely to be small, as *Mr Alfonsin sees a diplomatic* solution to the Falklands dispute as the most rational assertion of an eternal claim. *He has* yet to decide, however, what he will do with a less politicised military.

Star Wars 'not the only' block to Geneva deal

BY REGINALD DALE, US EDITOR IN WASHINGTON

THE US and the Soviet Union are still just as far from agreement on *reducing offensive* nuclear weapons as they are over President Reagan's Star Wars space defence programme, a senior Administration official *said yesterday.*

With the Geneva summit one week away, the official said that even if the *dispute* over Star Wars were removed from the equation, there was "not really a successful basis for negotiations" on offensive strategic weapons.

Mr Mikhail Gorbachev, the Soviet leader, last month announced that Moscow was ready to negotiate cuts of 50 per cent in offensive strategic *weapons if Mr Reagan* abandoned his Star Wars programme—a proposal in which the US said that it detected some constructive elements.

Yesterday, however, the senior official said thet in its latest proposal Moscow had withdrawn two important concessions that it had offered in 1983 before the end of the last *round of Geneva arms talks.*

First, the official said, the renewed Soviet demand that US medium-range *systems* in Europe, but not comparable Soviet weapons, be included in the strategic cuts was a "non-starter." Second, the US could not accept that British and French strategic weapons be counted as equivalent to Soviet intermediate range weapons—nor could the British and French Governments.

If Moscow were to drop these two demands, as it had previously, it would be easy to work out agreed guidelines for the current Geneva talks, the official said. "All the Soviet Union has to do is to return to 1983," he said. He added that the Soviet hack-pedalling appeared to have started before Mr Gorbachev took over as leader earlier this year.

Meanwhile, the official said the US proposal, which includes a ban on all mobile land-based intercontinental ballistic missiles (Icbms) was not intended to kill the proposed new American Midgetman missile, but ouly its "mobile mode." The plan for the Midgetman, a small single-warhead missile due to be deployed in the 1990s, was *otherwise* "very much alive," the official said.

The Soviet proposal for a ban on all new *Icbms* would prohibit the Midgetman hut not the potentially mobile Soviet SS-24s and SS-25s, which are at a mnch more advanced stage of development, the official said. The US would prefer to ban all mobile missiles because it was much easier for the Soviet Union to hide them in its vast territory than it was for the US.

At the Geneve summit, on November 19 and 20, the US would again express willingness to renew its commitment not to undercut the 1979 strategic arms limitation treaty (Salt 2), provided the Soviet Union did likewise, the official said. The US would also seek to halt the "erosion" of the 1972 anti-*hallistic missile* (Abm) treaty by insisting that Moscow "correct" its violations of the agreement.

The Peotagon was yesterday reported to have concluded a long-awaited report for Mr Reagan on Soviet violations of past arms control agreements, due to be completed by November 15. But the report was said to *contain no new revelations.* A second, and potentially more controversial report, suggesting possihle US responses to the violations would not be ready until after the summit, according to one official.

Switzerland and US may clash on bank secrecy

BY JOHN WICKS IN ZURICH

THE US and Switzerland might be heading for another collision over the thorny issue of banking secrecy.

A subpoena has been issued by the US Department of Justice, calling on Foreign Commerce Bank of Zurich to provide records on transactions involving American clients.

Until now Swiss authorities have forbidden banks to furnish client information to foreign governments. Exceptions are made in the case of authorised disclosures provided for by international legal-assistance treaties or the Swiss-US memorandum of understanding on insider deals.

This August, Switzerland announced it intended to "streamline" the processing of legal-assistance applications *from the US—but at the same* time expressed the hope that the US would "avoid conflicts" in future.

The serving of a suhpoena on the owner of Foreign Commerce Bank might be seen as a coercive measure, since there are no indications that Washington has applied officially to Berne for assistance in this case.

The case is complicated by the fact that the Swiss Banking Commission has not yet transferred Foreign Commerce's banking licence to its new owner. This is Mrs Sulhan Leo, a US citizen living in Denver and the recipient of the subpoena.

It is understood that the application to the Banking Commission may be contested on the grounds that Mrs Leo is the daugher of Mr Tan Sri Wen, a Malaysian businessman whose main company is Sedangor properties.

Should Mrs Leo be claimed to be acting on behalf of her father, this would et least hold up processing of the application in that Malaysie does not grant reciprocity to Swiss banks.

These developments follow a number of changes in the hanks ownership since its former parent, the New York-based Deak and Company, went into bankruptcy under *Chapter 11* regulations late last year.

The New York bankuptcy court then permitted the sale of the hank to Mr Cherboon Chan, a Singapore lawyer, at a price of SwFr 133m. Mr Chan took over Foreign Commerce bank on behalf of unnamed clients.

Subsequently, the bank was bought by a Swiss lawyer, now known to have been acting for Mrs Leo. Other Swiss interests had dropped their bids for the bank.

Foregin Commerce Bank, whose 1984 halance-sheet total was SwFr 375m, has headquarters in Zurich, a branch in Geneva and a subsidiary in Austria.

EEC signs co-operation pact with Central America

BY ROBERT GRAHAM IN LUXEMBOURG

THE EUROPEAN Community yesterday formalised its links with *Central America* by signing e five year co-operation agreement. The agreement grants most fevoured nation status to Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama and commits the EEC to make e substantial increase in its current aid of £23m (Ecu 40m).

The immediate impact of the agreement, reached *after two* days of talks here at foreign minister level, is symbolic. It *underlines* European support for a peaceful solutinon to the conflict in Central America and a revival of the morihund Central American Common Market.

The agreement, *also signed* by Spain and Portugal which are due to join the Community next year, institutionalises a political dialogue with the region and lays out a broad framework for economic co-operation. The emphasis will be *on economic assistance* that benefits all countries of the region.

Added weight to the political asnects of the agreement was given by the presence here of the four nation Contadora group whichhas been promoting a Central *American* peace treaty since 1983.

The Contadora group, which includes Colombia, Mexico, Panama and Venezuela, has taken advantage of the meeting to obtain renewed EEC backing for the peace process. In addition efforts have been made to break the deadlock between US allies in the region — Costa Rica, El Salvador and Honduras — and the Marxist orientated regime of Niciragua.

The Contadora peace treaty is dne to be signed on November 20 by Mr Bernardo Sepulveda, the Mexican Foreign Minister, said that major hurdles remained. These concerned the issue of verifying compliance with *the treaty*, the existing level of forces and armaments in Nicaragua and the right *of outside* powers to conduct military manoeuvres in Central America.

Mr Miguel d'Escoto the Niciraguan Foreign Minister defended his country's *decision* to impose e state of emergency and its continued military build up. However, the meeting was not acrimonious as some had expected and the community managed to agree on a compromise over Nicaragua.

The West Germans had begun by insisting on a direct link between Community aid and *observance* of human rights. In the final communique this issue was blurred with the emphasis on promoting regional peace and regional integration.

The EEC has now *committed* itself to annual ministerial meetings to improve co-operation and the *next* one is expected to be in Guatemala.

WORLD TRADE NEWS

Tony Walker looks at problems affecting one of Egypt's main hard-currency earners

Too little oil on Suez Canal's troubled waters

THE VIEW on a recent early morning from the windows of Abdel Rahman Montaza's office on the sixth floor of the Suez Canal Authority building in Ismailia was of ships gliding in orderly procession through the canal from the Red Sea on their way to the Mediterranean.

It was a tranquil and perhaps misleading scene, for these are troubled times for the Suez Canal Authority. Revenues are down again this year because of a weak international oil market and the disruption to shipping in the Gulf caused by the Iran-Iraq war, among other factors.

Mr Montaza, second in charge of the SCA, is optimistic that 1986 will see an improvement in traffic and an end to the worrying slide in earnings of one of Egypt's prime hard currency sources.

In the meantime, those responsible for administering the canal are seeking ways to increase revenue—tolls are going up on average by about 3.4 per cent in the new year—and to ensure that the waterway remains competitive against alternative routes and means of transport such as pipelines.

A measure of the effect of the soft oil market on the canal was the fact that in the first nine months of 1985, oil tanker tonnage was down 13.3 per cent on the same period in 1984. General cargo tonnage registered a 3.5 per cent drop to the end of September, giving an average reduction in traffic passing through the canal of about 7 per cent.

Last year, business was down 1.9 per cent on 1983, the first decrease since the canal was re-opened to traffic in 1975 after Egypt launched the October 1973 war against Israel.

Between 1975 and 1983, canal revenues increased dramatically, particularly after a project to widen and deepen the waterway was completed at the end of 1980. In that year, earnings were $676m and rose to $980m in 1983 at the peak.

Apart from the general downturn in demand for oil and the Gulf War, Mr Montaza blames the world's massive surplus of tanker tonnage for the reduction in traffic. There is an overall surplus against demand of 58 per cent, he said, and for tankers over 150,000 tonnes excess capacity is 111 per cent.

This means that much of the world tanker fleet is either laid up or slow steaming to save fuel and therefore prepared to take longer routes such as the one round the Cape, thereby by-passing the Suez Canal. The time factor for many tanker owners, he said, is no longer so vital because with the oil glut it has been cheaper to keep their vessels on the high seas until they could take advantage of market fluctuations.

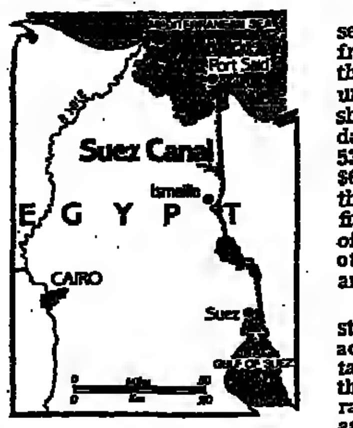
In establishing new charges for which Mr Montaza has direct responsibility as chairman of the tolls committee, the SCA devotes considerable resources to keeping abreast of oil market trends, the state of the world economy, notably conditions in countries whose imports and exports pass through the canal, and shipping developments.

Mr Montaza's committee was concerned to arrest a slide in usage of the canal by oil tankers — particularly heavier vessels. Thus, the average increase in tolls for tankers will be about 2.7 per cent compared with 3.8 per cent for general cargo and container ships and 3.9 per cent for bulk carriers.

Tankers carrying more than 85,000 tonnes of crude could in fact pay up to about 12 per cent less than they were before, because of a reduction in rates applying to laden vessels exceeding that tonnage.

The maximum load for ships transitting the canal is 150,000 tonnes, which precludes passage by super-tankers if fully or even partially-laden. These large vessels frequently transit the canal in ballast. The biggest to date was a super-tanker of 426,000 deadweight tonnes.

Announcing the recent toll increases, SCA chairman, Mohammed Adel Ezzat, said it was partly to compensate for inflation in developed and industrial countries. He made no mention of rising costs in Egypt itself which are running well ahead of inflation in the industrialised world.



Revenues from the canal are therefore being squeezed at both ends — from a reduction in traffic and from increased costs of maintenance and servicing. Mr Montaza was reluctant to give an account of the percentage of revenues devoted to maintaining the waterway, but it could be as high as one-third. The SCA has 14,500 employees and maintains some 70 vessels, including heavy duty dredges which are continually in operation widening and clearing the canal.

Then there is the debt to be serviced on loans outstanding from the $1.28bn first stage of the canal's re-development under which the draught of ships that could be accommodated was increased from 38 to 53 feet. Mr Montaza said about $600m had been paid off from the SCA budget. Much of the financing had come in the form of soft loans from, among others, the World Bank, Japan and the U.S.

He said plans for a second stage, allowing the canal to accommodate 260,000 tonne tankers had been ruled out for the time being because "the rate of return does not encourage us to begin the project."

The SCA is proceeding nevertheless with its canal widening project to allow two ships to pass each other in safety. At present 68 km of the 195 km waterway can accommodate two vessels abreast.

Mr Montaza said one of the reasons for optimism about improved traffic in 1986 was a decision by Saudi Arabia to increase oil exports and the fact that Iraq was beginning to pump oil through a newly-completed pipeline into the Saudi system, which would be shipped from near the Red Sea port of Yanbu.

"The canal's future is secure," declared Mr Montaza. "The problems we are facing at the moment are due to circumstances in the area, but we have not been affected too much."

French in video-disc deal with Japanese

By David Marsh in Paris

THOMSON, the French state-owned electronics group, is linking with Nakamichi of Japan to develop reading and recording equipment for audio and video discs.

The accord is the latest in a series of collaboration deals with Japanese electronics companies announced by Thomson, which has been suffering like other European manufacturers from severe Japanese competition in the consumer electronics sector.

Thomson is using technology from JVC of Japan in making video-cassette recorder components in France.

It has already started to use Japanese assembly and manufacturing equipment in semiconductors under a deal in memory circuits with Oki Electric of Japan.

The agreement with Nakamichi envisages joint development of reading equipment for digital discs, with full production planned to start, in Japan, in 1988.

The audio equipment is proposed to be compatible with present compact discs and with higher storage systems coming on to the market later.

Video disc equipment is planned to be used to record directly programmes beamed by television satellites.

Metro-Cammell wins HK$ 250m order for mass transit cars

BY DAVID DODWELL IN HONG KONG

METRO-CAMMELL, the UK manufacturer of railway carriages and rolling stock, was yesterday awarded a contract worth about HK$ 250m to £21m to supply Hong Kong's Mass Transit Railway Corporation (MTRC) with 53 trailer cars.

The contract is the second major contract won in Hong Kong by the Laird Group subsidiary in recent months. The first, awarded in September and worth HK$ 315m, is to supply the Kowloon Canton Railway Corporation with 25 three-car units to operate on the light rapid transit system being built in the north-west of Hong Kong's New Territories.

The two form the backbone of an assembly operation just being started by Metro-Cammell in Hong Kong which will eventually account for about half the value of the carriages, and will be used as a springboard for work in other countries in the region, notably China and Taiwan.

Cars will be exported from the UK as basic shells and completed in Hong Kong.

Only a week ago, Metro-Cammell was awarded a £65m contract by British Rail to build 228 diesel cars. This order will keep the company's UK workforce busy until late in 1988.

With the new order, Metro-Cammell has supplied 647 cars to the MTRC since it began operation in early 1980. The new cars will operate on the Kwun Tong line in Hong Kong's New Territories, and on the recently-opened island line running along the northern coast of Hong Kong Island.

If the Hong Kong Government, as expected later this year, gives the go-ahead for a new road and rail tunnel linking the east of Hong Kong Island with Kowloon, then Metro-Cammell will supply the MTRC with a further 53 cars to be delivered in 1989. This order will be worth a further HK$130m.

Linked with the new rolling stock orders, the MTRC said it is negotiating with companies that might supply the power and auxiliary electrical equipment needed to support them.

No contract is likely to be awarded until August 1987, Mr Wilfrid Newton, MTRC chairman, said yesterday. Front-runners are understood to be Mitsubishi Electric and GEC of the UK.

Mr Bryan Ronan, Metro-Cammell's managing director, said after agreement had been reached yesterday that the company hoped to develop its assembly and construction work in Hong Kong.

Japan's October exports rise to record $16.02bn

BY CARLA RAPOPORT IN TOKYO

JAPAN's exports in October set another record, despite recent efforts to strengthen the value of yen and rein in Japan's huge trade surplus with the West.

The Ministry of Finance said that exports rose 7.4 per cent in October over a year earlier to $16.02bn (£11.4bn) while imports went up by 2.6 per cent to $11.6bn.

The trade surplus of $4.4bn was 22.5 per cent above that of the same period last year, but slightly down on September's trade surplus.

Adjusted for inflation, October's surplus is the sixth largest in record, according to the ministry.

Bank of Japan officials have intervened in the currency markets and have said they would allow interest rates to drift higher in defence of the yen following the September 22 agreement in New York between the five leading industrial nations on the depreciation of the U.S. dollar.

So far, Finance Ministry officials have been unable to point to any visible trade effects from the stronger yen, which is currently at around Y205 to the dollar, against around Y238 before the September meeting.

Some effects may begin to show up next year, however, because several exporters have announced price rises for overseas shipments by the end of this year.

The figures show that the surplus was supported by improved exports to the US, the EEC and China. Japan's exports to the US rose by 9.2 per cent over a year earlier to $6bn, while shipments to the EEC increased by 14.8 per cent to $1.9bn and those to China by 49.9 per cent to $1.12bn.

High profit margins 'lift price of imported goods'

BY OUR TOKYO CORRESPONDENT

Many imported foreign goods in Japan are expensive because of high profit margins enjoyed by distributors of the goods, according to a new study from a high-ranking advisory group reporting to Japan's Prime Minister Mr Yasuhiro Nakasone.

The study, completed by the Advisory Council on Price Stabilisation Measures, claims that distributors' profit margins on imported goods such as high quality whisky, chocolate and cosmetics, are as much as twice those for domestically-made goods.

It disagrees with the commonly-held view that Japan's complicated distribution system contributes to the high costs of the imported goods saying that imported goods and domestic goods are largely sold through similar distribution chains.

The study was launched in response to foreign criticism that Japan's distribution system acts as a non-tariff barrier to foreign imports.

A European Business Council representative in Japan yesterday attacked the study. Mr Richard Cole, chairman of the EEC sub-committee on liquor, said that the issue of whisky imports into Japan should be openly debated. "We should get this whole mess out into the spotlight," he said.

The report claims that distribution margins for imported whiskies account for between 65 to 73 per cent of the retail prices, compared with 23 per cent for domestic whiskies.

However, in a study prepared by PA International Consultants in Tokyo, the distributor's margin on premium whisky in Japan was shown at 35.3 per cent.

Further, importers say that this relatively high margin is misleading, because distributors are often obliged to reduce their wholesale prices in order to compete with parallel importers into Japan.

The PA study was the basis for a complaint released this week in Brussels and Tokyo concerning alleged unfair treatment of EEC liquor and wine imports to Japan.

The advisory group's study found that, other than whisky, shoes, edible oil, fine candy and cosmetics, most imported goods distribution margins were similar to Japanese goods.

The advisory council plans to submit recommendations on ways of helping to lower distributors' margins.

UK clothing industry in clash on MFA renewal

BY ANTHONY MORETON

THE UK Government and the country's clothing industry clashed over trade protectionism in London yesterday when Mr Leon Brittan, Secretary for Trade and Industry reiterated that there must be a more liberal Multi-Fibre Arrangement (MFA) next year.

The costs imposed on consumers by the MFA, the international agreement which regulates a large part of trade in textiles and clothing, could not be ignored, Mr Brittan said.

Nor could the expectations of the developing countries for a greater share of western markets. "It seems inevitable that a new MFA will have to be more liberal than the present one."

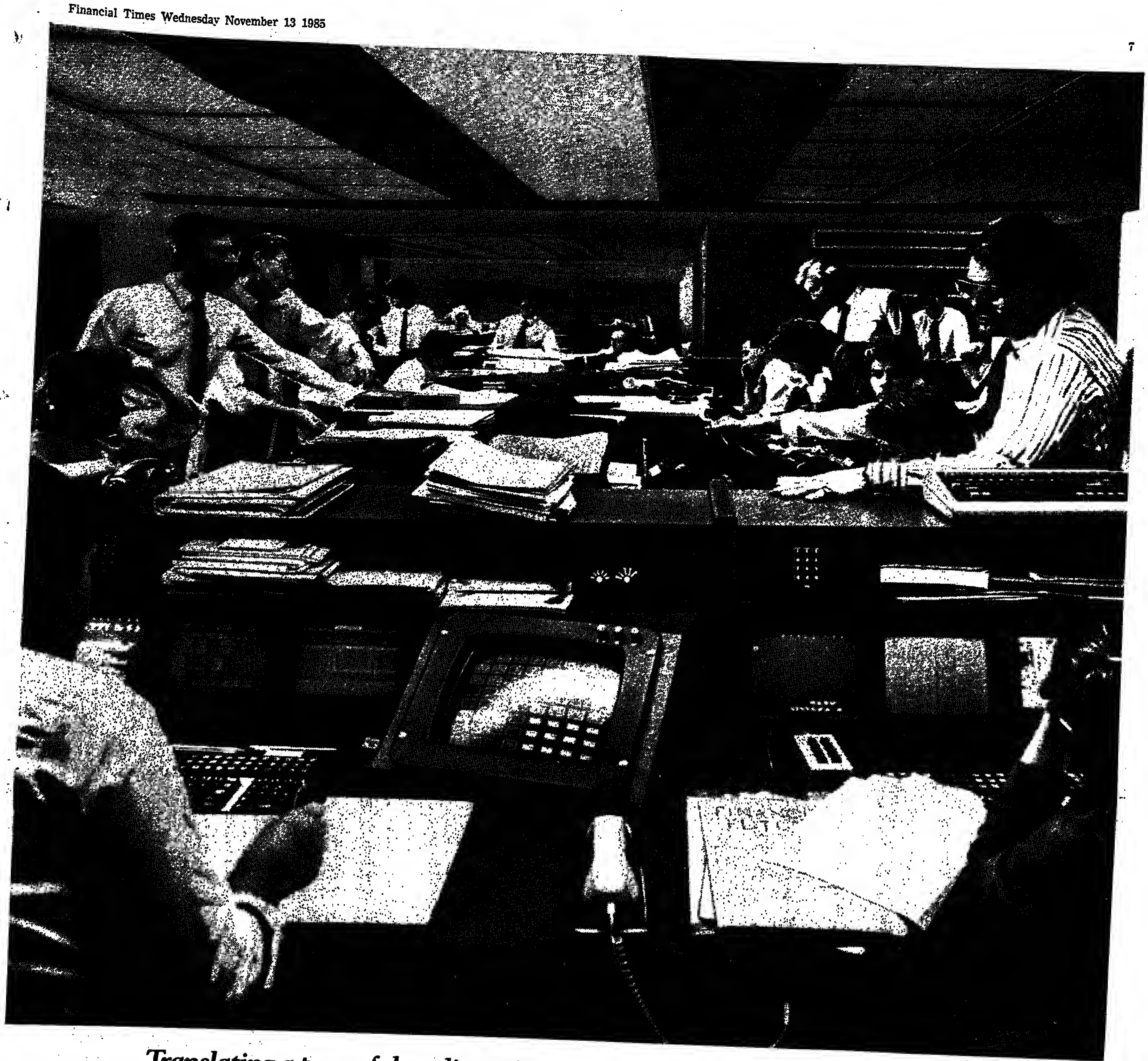
The MFA introduced in 1974 and reviewed in 1978 and 1982, runs out next July. Discussions are taking place under the aegis of the General Agreement on Tariffs and Trade in Geneva over the form of any renewal.

The UK Government view, supported by several European governments, is that the MFA should be renewed within discussions taking place on the future of Gatt itself and the renewal should allow greater access to Western markets for Third World producers.

Mr Norman Sussman, chairman of the British Clothing Industry Association, reminded the Government that "any thought that the reviewed MFA would be the last or even the penultimate arrangement would be utterly premature.

"If we are to create jobs it has to be against the background of policies which provide stability through an international trading regime which is fair,' he told the association's annual convention.

"The parameters of free trade are not in place. The time for the removal of any form of discipline in world trade in clothing and textiles will be when we can be satisfied that free trade is fair trade."



Christian leaders in Lebanon survive suicide car blast

BY NORA BOUSTANY IN BEIRUT

FIVE TRADITIONAL Christian leaders miraculously survived a suicide bombing attack yesterday as they conferred on objections to a stalled Syrian-sponsored reform package aimed at paring Christian dominance over Lebanon's power structure.

A red and white van packed with 400 kilograms of explosives drove up to the stone St George Monaalery at Oakar and exploded before reaching its destination after Lebaoese army soldiers guarding the compound shot at the vehicle.

The blast gouged a four metre by four metre crater, demolished the monastery'a southern wing, killing the driver, two soldiers, a woman and wounding 24 civilians.

A former Lebanese president, Mr Camille Chamoun, who heads the Lebaneae Front, a coalition of Cbristian leaders, emerged with minor cuts and bruises. He defiantly told journalists that the drive to abolish sectarianism as a basis for political representation "contradicted Lebanon's bistory, customa and guarantees" for religious communities coexisting on its soil. His son, Dany Chamoun, came out of the thick-walled monastery unscathed but Dr Elie Karameh, bead of the Christian Phalange Party, Deputy Edouard Honein and Mr Fnad Boustany, a Lebanese Front member, had to be hospitalised for injuries.

The explosion at the 50-year old monastery occurred only 300 metres from the American embassy compound, beavily guarded by the Lebanese army and surrounded with huge concreta blocks.

The bardline Christian militia, the Lebanese Forces, failed to approve and sign an accord with two of Lebanon's main warring factions on November 3 in Damascus. The Lebanese Forces registered reservations on plans to reduce the powers of the president, always a Moronite Cbriatian, and bis right to attend cabinet sessions and appoint ministers.

Moderate and traditional Christian leaders, such as members of tbe Lebanese Front, have blessed Syria's efforts to forge a national reconciliation plan but have balked at reforms making the Lebanese preaident a mere figure bead.

Moslem wishes to introduce changes into the Lebanese system bave met with Christian opposition. The cbangea aim at expanding Lebanon's parliament to allow for a parity between Moalems and Christians.

The draft accord, worked out during consultations between Syrian officials and Lebanese militia leaders, confines the Lebanese army to its barracks for rehabilitation and calls for the creation of a larger police force to keep order in Lebanon through close co-operation with Syria.

The official Syrian media has blamed tbe U.S., and specifically Mr Reginald Bartholomew, the U.S. Ambassador to Beirut, for the delay. A meeting between the commander of the Christian militias, Mr Elie Kobeika, and the American ambassador before the November 3 deadline set for signing tbe accord, was seen as the main factor slowing down agreement on tbe proposed changes.

Aquino trial nears end

A PHILIPPINE civilian court trying Gen Fabian Ver, the armed forces chief, and 24 otbers for the murder of opposition leader Mr Benigno Aquino in 1983 has reached a "unanimous verdict" which it has set for promulgation next Wednesday, Samnel Senaren reports from Manila.

According to a court official, the decision which was not disclosed, runs up to more than 100 pages.

It is generally believed, however, that Gen Ver and seven others who were indicted as accessories to Mr Aquino's assassination, would be acquitted on a technicality.

The promulgation of the verdict could be delayed if the Supreme Court gives due course to a petition by 29 prominent civilians to declare a "mistrial" of Mr Aquino's murder. The group, which includes former justices of the Supreme Court, claimed prosecutors had failed to handle the case properly.

Election doubts spark Liberian coup attempt

BY PETER BLACKBURN IN ABIDJAN

YESTERDAY'S attempt to oust Liberia's head of state General Samuel Doe led by former Brigadier-General Thomas Quiwonkpa came onyl two weeks after he was controversially proclaimed winner of multi-party alections that were intended to pave the way for a return to civilian rula in January 1986.

It is the lateste in a series of coup attempts since former Master Sergeant Doe seized control of this small West Africen state of 2.2m peopla in a bloody coup in April 1980, and comes against a background of accelerating economic decline and growing popular dissatisfaction.

The decision of the three opposition parties to contest the election results in court and not to take up their seats in Congress had already increased political tension in the country and the coup attempt did not greatly surprisa observers.

Gen Doe obtained 51 per cent of the vote in the Presidential elections while his National Democratic Party of Liberia gained landslida victories in the Senate and House of Representatives. Bnt the results were widely believed to bava been rigged and were greeted with scepticism both inside and outside the country.

Mr Quiwonkpa was a key figure in the 1980 coup and was later promoted to commander of the armed forces. He was

dismissed in October, 1983, after refusing the post of Secretary General of the People's Redemption Council, the country's supreme governing body.

Shortly afterwards he was implicated in a coup plot and fled the country, spending tha past two years in exile in tha US. He is described by observers as a popular professional soldier who prefers the army parade ground to the political platform, and steadier than the "unpredictabla and tempestuous Gen. Doe."

Mr Quiwonkpa had been reluctant to abandon his army post for the political PRC joh, and his desire for a quick return to civilian rule was another cause for disagreement with Gen Doe. The latter was also reportedly jealous of Mr Quiwonkpa's popularity in the armed forces, despite Gen Doe'a efforts to improve army pay and living conditions.

Most of Gen Doe's initial popularity bas disappeared, since the April 1980 coup which ended 133 years of political domination by the minority Americo-Liberians, descendents of freed American slaves. During that coup the then President William Tolbert was killed and afterwards 13 prominent members of bis regime were lined up on Monrovia beach and shot.

The revolntion led by Gan Doe and a group of indigenous non-commissioned officers was enthusiastically greeted by Liberio's politically and economically underprivileged indigenous majority. They were offered government jobs and big pay increases and many were able to vote for the first time in the recent elections.

But mounting corruption, abuse of human rights and economic mismanagement steadily eroded the popularity of the Doe regime. A massive increase in US aid to about $90m from only $8m before the coup ensured that Liberia remained a Western ally but failed to prevent a sleep slide in living conditions.

Observers said that if the coup succeeds it will resolve an awkward dilemma for the US Congress, which had warned it would suspend further aid if the elections were not shown to be "free and fair," suspension of US aid would be a mortal blow for Liberia at this time.

Hussein sends invitation to Assad for talks in Amman

BY TONY WALKER IN AMMAN

MOVES TOWARDS a rapprochement between Jordan and Syria appear to be gathering strength leading to a possibla summit meeting aoon between King Hussein and President Hafez Assad wbo bave been at odds for a nnmber of years.

Mr Ziad Rifai, Jordan's Prime Minister, went to Damascus yesterday carrying a message from King Hussein inviting Mr Assad to Amman for talks. All this may be a prelnde to the convening of an Arab league summit by Marcb next year.

A meeting of Arab beads of state had been scbeduled for Riyadh tbis month but in the face of continuing serious regional differences it now seems out of the qnestion.

Western officials bere bave heen surprised by the speed with wbich Jordanian-Syrian reconciliation efforts hava advanced.

These officials cite a statement in the form of an open letter from King Hussein to Mr Rifai, publisbed this week, in which be, in effect, apologised for lack of diligence in dealing with anti-Syrian elements in Jordan as an indication of Amman's desire for rapprochement. Damascus has long complained about the presence in Jordan of subversives linked with Syrian fundamentalist groups, but until now the Jordanians had ignored these protests.

The King's push for reconciliation with Mr Assad stems in part, western officials say, from growing reservations about the reliability of American support and the knowledge tbat Middle East peace efforts cannot succeed without Syrian backing.

Mr Rifai bas now had three meetings with bis Syrian counterparts since this year'a Casablanca Arab League summit establisbed committees to bring about reconciliations between various Arab states whicb have fallen out.

Jordan's Prime Minister, who was appointed earlier this year, has long been regarded as being close to Damascus. There was speculation here at the time of Mr Rifai's appointment that King Hussein was angling towards a reduction in tensions witb bis powerful neighbour.

Mr Rifai was received yesterday by Abdul Raouf al Kasm, his Syrian counterpart.

King Hussein said, in his letter, publisbed on Monday, that "we are now on the verge of embarking on a new state of fruitful relations with Syria . . ."

Relations between Mr Shimon Peres, the Israeli Premier and Mr Ariel Sharon the Trade and Industry Minister, has been stretched almost to breaking point, Walter Ellis reports from Tel Aviv. Mr Sharon—the former Defence Minister and foremost critic of the current peace initiative an Jordan—this week called King Hussein "the hyena ni Amman" and described President Mubarak as "the Egyptian evil-doer."

Tunis close to a settlement with union

By Francis Ghilès

The Tunisian Government apepars to be close to settling a crisis in its relations with the 350,000-strong Union Generale des Travailleurs de Tunisie (UGTT). The dispute has led in recent months to a rash of strikes and a number of violent incidents during which some regional headquarters of UGTT were ransacked by "unidentified" groups and which the police did little ot prevent.

UGTT reacted calmly to the arrest last weekend of Mr Habib Achour, its Secretary General. After he had been put under bouse arrest, the Tunisian authorities freed about 100 members of UGTT arrested during the growing tronbles between the union and the government in recent weeks.

Execntive committee members of the union met Mr Noureddine Hached, the Labour Minister, last weekend and pressed him to reinstate workers fired for taking indnstrial action. But they did not make the release of Mr Achour a pre-condition to meeting the Government. The UGTT secretary general had broken off pay negotiations with the government four months ago.

Since July, Mr Mohammed M'Zali, the Prime Minister and Mr Achour have been engaged in an increasingly bitter slanging match. Mr M'Zali has accused his opponent of unpatriotic behaviour during the crisis witb Libya. He argued that calling strikes and pressing pay claims in such circumstances was nnacceptable. Mr Achour, whose autocratic behaviour is not appreciated by many of his colleagues, accused the Government of seeking to unseat him.

Scandals associated with a number of UGTT business undertakings, such as the Hotel Hamilcar in Carthage, have been pnblic knowledge for years but only recently has the Government allowed the courts to act.

Amnesty alleges Zimbabwe torture

Amnesty International, the buman rights organisation, yesterday reported a sharp increase in orrests and torture of suspected government opponents in Zimbabwe, Reuter reports.

The London-based group spoke of persistent reports of beatings, electric shocks and other torture at government detention camps since a general election in the country in Jnly.

Members of parliament, officials and supporters of Mr Joshna Nkomo'a Zimbabwe African People's Union (Zapn) had been arrested and held without charge, particularly in Matebeleland, powerbase of the opposition party, it said.

Indonesian technocrats attack growing distortions in economy

BY KIERAN COOKE IN JAKARTA

AN INCREASINGLY outspoken debate, in terms which would warm the heart of many a born-again economist, is being waged in Indonesia about protectionism and state intervention in tha domestic economy.

Leading the attack, whicb questions many of tha policies of the government of President Suharto, is Professor Sumitro Djojohadikusumo, a former minister and the country's most respected economic thinker.

Prof Sumitro in a speech which received widespread publicity throughout the world'a fifth most populous country with more than 160m people, said that protectionism in the domestic economy was growing instead of decreasing.

Inefficient, well-counected companies were "feather bedded" by a widespread system of licensing arrangements. A maze of tariffs, quotas and other import restrictions have been imposed, be said with the "facile" idea of supporting infant domestic industries.

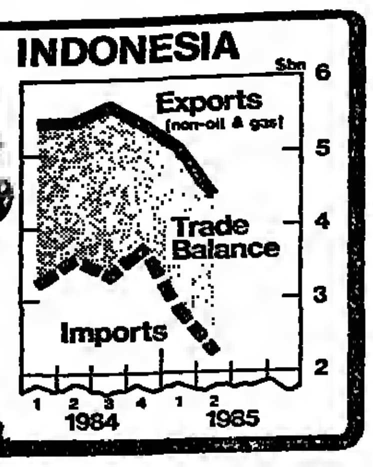
More than 1,000 commodities at present were subject to import regulations of one form or another, be said. Entrenched industries, often acting in collusion with various government departments, continue to press for, and win, more protection. The result, said Prof Sumitro, has been a seriously distorted and high-cost economy. The system has encouraged corruption and discouraged private investment and initiative.

Much of the evidence supports his argument. The government, particularly over the last two years, has imposed a wide range of import restrictions. Various subsidies and closely controlled licensing arrangements have meanwhile protected government backed monopolies and state companies. The latest figures show there are now more than 220 state companies operating in the manufacturing and service sectors in Indonesia: most have a reputation far inefficiency and high costs.

At a time when Indonesia is struggling to diversify exports away from oil — which still accounts for more than 60 per cent of foreign exchange earnings — there have been warnings that protectionism and high costs in the domestic economy threaten to impede the competitiveness and growth of non-oil and gas exports.

Long-term private investment

Sumitro Djojohadikusumo



has fallen by 66 per cent in the past year. Total investment fall by 40 per cent last year compared with 1983. Many investors, both foreign and domestic, claim they are shut out from most areas of potential profit, either by government regulations or by well-connected monopolies controlled by such powerful figures as Liem Sioe Liong, the Indonesian-Chinese tycoon or by the president's half hrother, Mr Sudwikatmono.

Even the normally-conservative World Bank, while saying that Indonesia will perform relatively well this year and achieve a near target 5 per cent growth rate, has warned of "hacksliding" and "subsidies" in the domestic economy.

Professor Sumitre is tha acknowledged godfather of the so called Berkeley mafia, Indonesia's Western trained technocrats who have played a key role in shaping economic policy since the Suharto Government came to power in the late 1960s.

Most of tha technocrats are said to support Prof Sumitro's views; ranged against them are the increasingly powerful office of the State Secretariat beaded by Mr Sudharmone, one of the president'a principal advisers, Mr Hartarto, the Minister of Industry, and to a lesser extent, Dr Bucharuddin Jusuf Hababie, the Minister of Science and Technology.

They expound the need to promota local procurement as well as the need for "linkages" between upstream and downstream industries. Not only bave they pushed through a broad range of import restrictions but they have also encouraged, in defiance of trends in many countries, more state intervention in various sectors of the economy.

In a move said to have caused considerahle anger among the technocrats, the Government recently took a $325m (£225.7m) stake in the Indocement group, Southeast Asia's higgest cement company and the foundation of the Liem Sioe Liong empire.

The Government defended the purchase by saying that cement —which has heen falling in price on hoth the domestic and international markets is a "strategic" commodity and needs to be protected. The critics alleged the Government was only acting to protect the interests of Liem, saying that such a purchase was totally unjustified at a time of financial stringency.

However, even the critics ocknowledge that the Government has mode some notahle efforts to deregulate some sectors of the economy: the banking system has been progressively liberalised and earlier thia yeor the whole customs service was slimmed down and rodically reorganised in order to cut costs and increase exports.

The sceptics say that in most sectors, particularly in manufacturing, state intervention and protectionism bas become widespread and entrenched to a point where it ia almost impossible to dismontle. Meanwhile, they say tbe domeatic economy, starved of funds, remains in o slump it connot climb out of.

Australian deficits worst ever

AUSTRALIA announced its worst ever current account and trade deficits yesterday, AP-DJ reports from Sydney. In an eagerly awaited announcement, the Australian Bureau of Statistics reported that Australia's October current account deficit widened to A$1.64bn from A$1.06bn the month before.

In addition, it said, the country's trade deficit widened sbarply to A$552m from A$195m.

The declining Australian dollar has put the Government under intense pressure, forcing it to keep a tight rein on monetary conditions to defend the beleagured currency. As a result, interest rates bave increased to their highest levels in six years.

The Reserve Bank of Australia yesterday raised its rediscount rate—the rate it buys back securities from authorised dealers—to 18.25 per cent from 17.5 per cent. It was the third increase in five days.

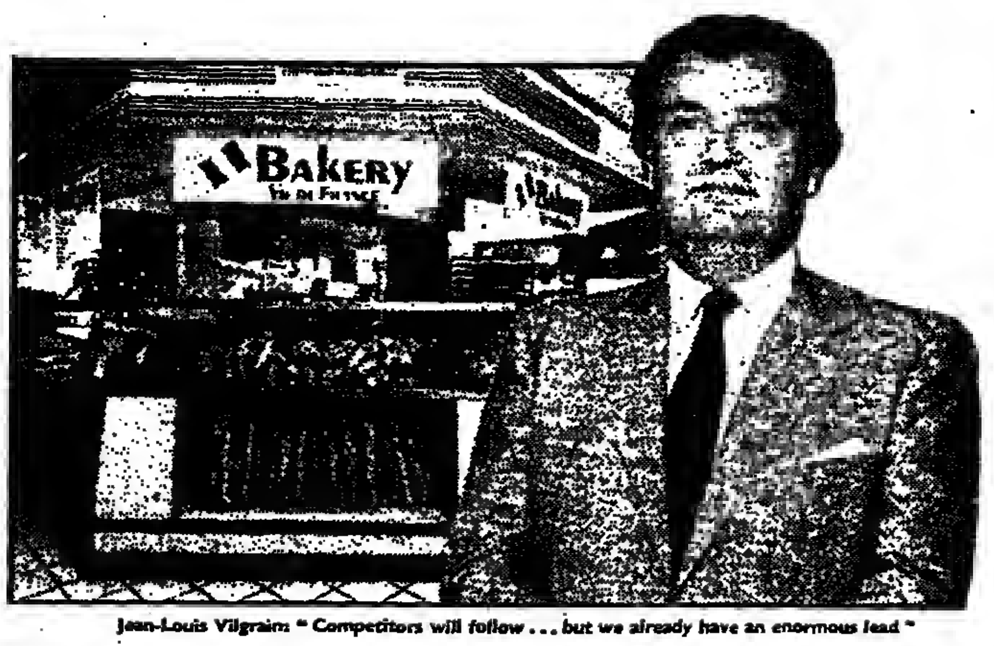
Analysts also expect a round of prime rate increoses by the major Australian banks before the end of the week.

● New Zealand's economic poltcies are working and will not be cbanged significantly, Mr David Lange, the Prime Minister, said in o stotement, Reuter reports from Wellington.

He said a food price index wbich was unchanged in October after rises of 1.2 per cent last month and 1 per cent in October 1984 showed the Government's moves to curb inflation were working.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ



Jean-Louis Vilgrain: "Competitors will follow . . . but we already have an enormous lead"

How America took to France's baguettes

David Housego on the export of a Gallic tradition

THE idea sprang from a chance observation at Paris' Orly airport.

Some ten years ago Jean-Louis Vilgrain was struck by the number of tourists leaving France with baguettes (the long French loaf) or croissants.

Vilgrain was president of Grands Moulins de Paris, the country's largest milling and flour group, and his hunch was that there could be a worldwide market for French style bread. "The product is attractive and unique," he says, "and we were the only group in the world able to profit from it."

The result has been one of the more extraordinary French business successes of the last decade. Vilgrain, personally, and GMP, a publicly quoted French company in which the Vilgrain family has a substantial stake, together bought a majority stake in Vie de France, which in 1974 was a small French bakery in Washington DC. It was losing money and had a turnover of $70,000. Last year Vie de France, with 23 wholesale bakeries in the US and a wide range of retail outlets and fast food restaurants, had a turnover of $63m.

Until profits flattened out last year—the group believes temporarily—Vie de France pushed up sales and net earnings at a compound average rate of 53 per cent and 72 per cent over the previous five years.

It was recently appointed by the US army, along with Burger King, as one of the two fast food suppliers to army PK stores around the world.

Using Vie de France's success in the US as a launching pad, GMP has built up a worldwide network of French bakeries and bakery / restaurants through franchises and licences using the Vie de France, Delifrance and La Baguette brand names. In Japan alone, the Yamasaki group, with Vie de France and Delifrance licences, has established 60 retail outlets including 32 restaurants.

In France, GMP is pioneering what for the French is a new concept of street corner boulangeries. It has begun to convert disused petrol stations into drive-in boulangeries where croissants and French bread are baked on the premises from frozen dough; Vilgrain says that its first experiment at Avignon, in the south of France has been "a fantastic success."

As yet Vie de France and GMP have no competitors in the same worldwide range of products which relies heavily on the image of French cooking. "Competitors will follow," Vilgrain says. "That is why we have to hurry. But we already have an enormous lead."

Vilgrain based his hunch that the baguette and the croissant—once symbols of French provincialism—could be winners round the world on two assumptions. The first was that French bread was a product that could benefit from the increased concern worldwide for healthy, nutritional foods. It is freshly baked and unlike Anglo-Saxon bread contains no preservatives or chemicals. Bread consumption as well is on an upward trend in developing countries because of the shift away from rice, tapioca and other starch products.

The other assumption was that French baking was in a strong position to exploit the worldwide explosion in the fast food market. For French bread, rolls and croissants are an obvious complement to a host of other fast food staples from ham to cheese and jam.

Vie de France started to expand in the US with wholesale bakeries providing supermarkets and restaurants with freshly baked bread and through instituting a programme of mini bakeries supplied with frozen dough. The mini bakeries can be installed in supermarkets, grocery stores and gourmet shops so that croissants can be cooked fresh in full view of the customer. But Vilgrain says that the real breakthrough came in 1977 when Vie de France began to open restaurants or cafes combined with boulangeries.

That helped to spread the fashion for French bread and croissants. More recently this has enabled it to enlarge the range of products to brioches, muffins and various types of entrée croissants and of obtaining larger profit margins.

Apart from its 23 wholesale bakeries which act as strategic distribution centres, Vie de France now owns 33 restaurants (some under the Fast and Fresh brand name), generally with bakery shops attached and six retail bakery stores. It supplies over 1,800 mini bakeries scattered through supermarkets and food stores. It has a growing franchise business with restaurants and cafes opening under the Vie de France brand name. Since May 1984 it has developed a new line in frozen baked croissant products for sale in grocery shops.

Vilgrain believes that this combination gives the company a range of formulae that it can exploit differently according to local circumstances. He sees three strategic lines of advance—the restaurant/fast food sector, retail bakeries supplied with fresh baked bread or frozen dough; or frozen baked products.

Investment has been financed mainly out of the company's own resources in line with Vie de France's policy in recent years of setting capital investment at a level equal to cash flow. Thus Vie de France invested a record $8.4m in 1984 as compared with an operating cash flow of $8.8bn. That year it also raised $10m in fresh equity capital via a share issue in the US. Of its new investments $6.5m went to the construction of new wholesale bakeries and $1.5m to restaurants and retail stores.

Capital spending policy has been altered this year. While it had been planned to spend $8.5m in the financial year ending June 1985 this has been reduced to $2.5m after it was decided to postpone certain wholesale bakery projects. Investment this year is therefore expected to be $6.5m.

The drop in investment reflects the sudden eruption of an unexpected challenger into one corner of Vie de France's market. The large US food group Sarah Lee began in 1984 to compete with Vie de France in sales to supermarkets of frozen baked croissants—and with the explosion of the croissant market, made sales that ran into several million dollars.

Vilgrain's response to this has been to open negotiations with an unnamed US group with a view to establishing a joint venture in this area. "We intend to develop this sector further in partnership with a group of the same size" as Sarah Lee, he says. He adds that before the end of the year "we will have something positive to announce" in terms of a joint venture.

Along with the drop in investment last year, net profits slipped as well to $5.6m after $5.8m in 1984. In part this was due to lower investment diminishing the volume of tax credits. But Vilgrain also attributes it to the group needing time to digest its recent heavy rate of expansion. It has also been carrying through changes in its restaurants to widen its retail margins. Vilgrain expects profitability to pick up again this year.

In Japan, expansion has been entirely through licences and franchises. "We haven't the means to invest everywhere," says Vilgrain. Fees from licences and franchises in Japan amounted to $2m last year when GMP reported net consolidated profits in 1984 of FFr 50.1m (up 81.8 per cent) on the basis of a turnover of FFr 3.9bn (up 13.3 per cent).

Apart from Japan, the group has also been expanding in Singapore, Indonesia, the Philippines, Hong Kong, China, the Middle East, Europe and South Africa.

In France, Vilgrain is trying to prepare the corner shop boulangerie for what he believes are inevitable changes in the French baker's shop in the years ahead. The bulk of France's conservative boulangeries already buy most of their flour ready-mixed — a market in which GMP has a 60 per cent share. A growing number of them are also buying frozen dough for their patisserie products — the area in which GMP French sales are rising the fastest.

Vilgrain believes that the next step will be to persuade French bakeries to try out the novel style of marketing that he has pioneered in the US. The experiment in Avignon in transforming a petrol station into a drive-in boulangerie points the way to what he has in mind.

Quality campaign

Lack of decisiveness revealed in survey on standards

BY NICK GARNETT

THE message from the British Government's national quality campaign seems to be seeping only slowly through the management ranks of manufacturing companies, judging by a new survey on the subject.

While some good things are happening in quality management, many, if not most, manufacturers are failing to quantify quality costs adequately, develop a written quality assurance policy or use "quality staff" in many purchasing and production decisions.

The campaign to improve British industry's reputation for quality was launched by the Government in April 1983. The latest survey, which incorporates a questionnaire completed by 110 manufacturers in the north-west and further case studies of six companies, was carried out by Dr Barry Dale of the University of Manchester Institute of Science and Technology and Alan Duncalf of Preston Polytechnic.

Two-thirds of the companies were in mechanical and electrical engineering, chemicals, food or textiles. Just under 250 companies declined to take part.

Some heartening statistics were gleaned from those that did fill in the questionnaire. Over 85 per cent of them, for example, used a quality assurance policy. Three-quarters laid down conditions for quality control among their suppliers. In most companies, quality was ostensibly deemed to be the most important factor in product design.

Separate quality control departments were used by two-thirds of respondents. (Such departments are a controversial issue among a number of managers who believe that they work against the building in of quality right through the production process.)

Other statistics were not so impressive. Only just over a half of the 110 companies committed their quality assurance policy to paper. Design staff in only 29 per cent of the companies participated in decision-making that had a bearing on quality, despite what the two academics believe to be a vital role these people should play in quality management.

Though three-quarters of the companies specified conditions on component suppliers, less than a third of these companies ran vendor rating systems. Of those that did only a half passed the ratings on to their suppliers.

"It is interesting that in the 34 companies which have a vendor rating system, quality was given as the main aspect of a supplier's performance which should be measured," the survey report says.

There was further evidence in the survey about the lack of depth of compulsory training for managers. Between 50 and 60 per cent of surveyed companies provided quality training for supervisors and equipment operators but only a third provided training for all levels of management.

The way companies cost or generally do not cost quality also threw up some uninspiring figures. Duncalf and Dale make the point that the measurement of quality-related costs is valuable in taking decisions on how to improve quality. It can also be used to help assess the cause of problems. Yet less than a third of the companies collected this data.

Even the few that did, did not pursue all the information open to them. Over 80 per cent collected the cost of failures within their plants, but little more than half calculated the costs of preventing quality failures. The measurement still liked most was the average quantity of scrap.

The case studies revealed failures among senior managers to understand the impact of a quality policy or the lack of it on decisions.

In one company the technical manager responsible for quality control had the authority for despatching finished goods. However it only needed a customer, seeking a quick delivery, to lean on the supplier and this system fell apart. The production manager arranged despatches direct to the customer without quality control inspection.

In another company, supplied raw materials were frequently substandard. The quality control department contacted the supplier and discussed what action to take to rectify this. "Incredible though it might seem there was no formal or indeed informal feedback to the purchaser and that it resulted in the continued use of a poor supplier."

How British Industry is making decisions on product quality. Long range planning Vol. 18 No. 5. Pergamon Press.

BUSINESS PROBLEMS — BY OUR LEGAL STAFF

Avoiding CGT

I wish to sell my business and do not want to pay any capital gains tax on the proceeds. I will sell for around £180,000 and am going to live abroad. Can I avoid CGT by leaving the country before the sale or any signing of documents (eg say I will leave on December 25 and contract the sale at my new abode on say January 1)? Some say you have to be out of the country for a fiscal year before the sale. One accountant told me the Revenue had relaxed and merely stated that one has to have moved one's residence, ie sold one's house etc. so it is seen as a real and honest move to a new country of permanent residence and then not to come back to the UK for a fiscal year.

In the light of sections 2 and 12 of the Capital Gains Tax Act 1979 (and the warning in the front of the booklet of extra-statutory concessions, IR1)—and on the assumption that by "business" you mean "trade"—you are unlikely to succeed in your scheme to avoid CGT, even if there is a double taxation agreement with the country to which you are going. An artificial arrangement within section 27(2) of the CGT Act may be worth trying, but be prepared to surrender if the Revenue attacked it under Furniss v Dawson.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Dockland project gets backing of minister

BY WILLIAM COCHRANE

MR KENNETH BAKER, Environment Secretary, last night refused to 'call in' the proposed 10m sq ft office development on Canary Wharf in London's Docklands – a procedure which would have led to a public inquiry, delay and, probably, the withdrawal of the US consortium that has proposed the scheme.

In answer to a parliamentary question, Mr Baker said:

"The scheme, which is still under discussion between the developers and LDDC (the London Docklands Development Corporation), is for a major development, primarily of offices, on Canary Wharf in the London Docklands development area."

"The site is located almost entirely in the Isle of Dogs Enterprise Zone. As a result it benefits from the automatic planning permission which goes with the regime laid down in the Local Government and Planning Act 1980."

"That act makes no provision for the intervention of the Secretary of State to call in an individual planning application for public inquiry as with other major planning cases."

He concluded: "I take the view that, having established through the system a particular means of providing planning permission in parts of the country which are in urgent need of regeneration, it would not be right for me to intervene."

The "American Consortium," formed of First Boston Real Estate, Credit Suisse First Boston and Morgan Stanley, had said that it would pull out of the development if it were called in.

The parliamentary question reflected pressure on the Government from planners, conservationists and community groups concerned largely with the environmental effect of the three tower blocks of 800 ft or more incorporated in the scheme and the speed with which the proposals are being pushed through.

● Jones Lang Wootton (JLW), London based but one of the world's largest international estate agents, is to move its North American headquarters to Manhattan Tower, the 35-storey skyscraper recently completed by Ladbroke Group's US property division, London & Leeds Corporation, in Manhattan.

JLW is to occupy 30,000 sq ft on four floors of the 275,000 sq ft building. Other international tenants to have taken space at Manhattan Tower since its recent completion include Suruga Bank, Okura & Co., Sumitomo Plastics and UK stockbrokers de Zoete & Bevan, as well as a number of US law firms and investment management companies.

NatWest overtaken in retail market

BY CLIVE WOLMAN

BARCLAYS has overtaken National Westminster as the bank with the largest number of individual customers in the UK. NatWest is also in danger of being overtaken by its other rivals, according to figures published yesterday.

The figures were compiled by the National Opinion Polls' financial research survey which has been carried out since 1977 and is based on interviews with about 30,000 people.

The information, which is paid for by the banks and other financial institutions, is normally kept confidential. The most recent figures, however, have been published in an analysis of the banking sector and the Trustee Savings Bank (TSB) by stockbrokers Rowe & Pitman.

They show that NatWest has lost a large share of the retail banking market over the last eight years. In 1977, 26 per cent of all current account holders banked with NatWest, but now that proportion has fallen to 19 per cent. In particular, NatWest has gained virtually no customers in the higher A and B socio-economic groups between 1977 and 1985, whereas the other big banks have seen their AB customers rise by between 20 and 50 per cent.

Over the eight-year period, the number of NatWest current account holders has only increased from 5.0m to 5.5m. In contrast, the number who bank with the TSB has increased from 1.5m to 3.5m, with Lloyds from 3.1m to 4.5m, the Midland from 3.4m to 4.6m and Barclays from 4.8m to 6.3m.

In terms of the number of current and/or deposit account holders, which is a wider criterion of market share, the challenge to NatWest appears to be even more serious. Barclays has a 21 per cent market share with 6.9m customers, NatWest 18 per cent (6m), the TSB 17 per cent (5.6m), Midland 16 per cent (5.1m) and Lloyds 15 per cent (4.9m).

Lloyd's unravels deals which siphoned millions of pounds

BY JOHN MOORE

A TANGLED WEB of irregular financial transactions involving six members of the Lloyd's insurance market has been discovered by the authorities of Lloyd's. As a result, six members of the market have been disciplined and the largest fine yet imposed on a member of London's financial community has been made.

The Lloyd's authorities have unravelled a complex series of deals within the market by six of the market's working members who have been involved in schemes which have siphoned off millions of pounds belonging to the underwriting members.

Mr Peter Stephen Dixon, once the main director and later chairman of an underwriting agency called PCW, which looked after the affairs of 1,525 underwriting members of Lloyd's, has been fined £1m and expelled from the market.

A Lloyd's disciplinary committee found that Mr Dixon, together with Mr Peter Cameron-Webb, another underwriter, were the "brains" behind most, if not all, of the schemes which led to the disciplinary action. Mr Cameron-Webb resigned his membership before the troubles emerged and has not been charged with offences by the Lloyd's authorities.

Lloyd's found that Mr Dixon, in his capacity as a leading executive of PCW, part of the Minet Holdings insurance broking group, devised schemes which led to the diversion of underwriting members' money which led to him gaining the following benefits in secret.

He received interest-free loans of £1.8m; funds of £5.89m were used to purchase, renovate, decorate and maintain the Villa La Doma in the south of France; investments of £480,597 were made in Florida land development; cash withdrawals in Geneva and London totalling £1.59m were taken; and an investment in a diamond syndicate totalling £123,457 was carried out.

Lloyd's found that Mr Dixon had used funds of £1.69m belonging to the underwriting members to invest in films and musical productions; to pay expenses for a boat amounting to £270,387; further expenses for an aircraft amounting to £122,206; investment in a Swiss bank, the Banque du Rhône et de la Tamise, of £330,287; and loans to related companies of £248,642.

Other charges were laid by Lloyd's against a confederate of Mr Dixon, Mr James Adrian William Innes Hardman. Mr Hardman, a former underwriter with PCW, has been suspended for 12 months and two years from the market, both sentences to run concurrently.

Lloyd's have found that from about 1976 Mr Hardman received from Mr Dixon over £70,000 in cash which, said Lloyd's, "he knew was derived from the personal benefits scheme." Lloyd's said that he received other benefits which he assumed came from the scheme, "although he did not know the route."

Mr Hardman, according to Lloyd's, received the following benefits. He received about £21,000 cash in French and Swiss francs in 1979, 1980 and 1982 for skiing holidays; another £1,250 for his daughter's school fees in France; a £6,126 loan; an interest-free loan of £8,225 which was later increased to £17,827; an increased loan of £47,603, and a further increase to £47,900 from a range of offshore schemes; the discharge of a loan of £47,900 from a settlement; and another loan.

Mr Hardman was also instructed by Mr Dixon to arrange for himself, Mr Dixon and Mr Cameron-Webb to participate in a US bloodstock syndicate under the name of Guernsey Nominee Company Laburnum Nominees. In the deal $200,000 was invested.

A total of 46 charges were brought against the defendants covering, in general terms, allegations that funds were transferred from Lloyd's syndicates, formed of underwriting members, set up or managed by Mr Dixon or Mr Cameron-Webb.

In its findings Lloyd's disciplinary committee observed: "We are absolutely sure that Mr Dixon is a clever, dishonest, greedy and unscrupulous individual."

It observed that Mr Dixon had conducted the affairs of PCW and an associate agency WMD "in a manner which represents a complete negation of those standards of professional honesty, good faith and rectitude upon which the worldwide reputation of Lloyd's and through Lloyd's of the whole London insurance market, has been founded for over 250 years.

"No other dealings at Lloyd's of which we are aware – including those which have come to light since late 1982 – equal in magnitude the sums misappropriated by the depredations of Mr Dixon and Mr Cameron-Webb. Their conduct represents a disgrace to the London market."

Others caught up in the affair include Mr Arthur Alan Sampson. Mr Sampson has been expelled from the market, sentenced to a three-month suspension and a reprimand. Mr Sampson was alleged to have aided and abetted Mr Dixon and Mr Cameron-Webb in the implementation and operation of the schemes and "in the dishonest misappropriation of very substantial sums."

The disciplinary committee found that he took no steps to prevent what was going on and "thereby acted in complete disregard of his duties" to members of the syndicates.

An appeal by Mr Sampson against the findings of the disciplinary committee was dismissed.

Charges were levelled against Mr David Babington Hill, a former director and underwriter of PCW. Among the charges, Lloyd's found that he received traveller's cheques of $10,000 for personal expenditure on a combined business and holiday trip to the US. He was aware, said the disciplinary committee, that the money had been derived from premiums from the PCW syndicates paid out in the form of reinsurance business. He has received a reprimand and notice of censure.

Mr Anthony Gilbert Frederick Oldworth, a former director of PCW and underwriter, received from Mr Dixon from 1975 monthly payments totalling £50,000 to £60,000 in cash, the payments continuing until six months after he retired in July 1981.

He received other benefits over the years including licence fees paid for the use of farm land next to his house. Mr Oldworth was suspended for three months and 12 months, both sentences to run concurrently.

Lloyd's has suspended Mr Colin Edward Davies, a former director of the WMD underwriting agency, for three and 12 months, both sentences running concurrently. He has been found guilty of dishonestly misappropriating syndicate funds through reinsurance schemes between 1976 and 1977.

"Because of his unquestioning acceptance of what they (Mr Cameron-Webb and Mr Dixon) decided, he had little detailed information about any of the schemes or the origins of the benefits," said the disciplinary committee.

The disciplinary committee has ordered that Mr Dixon should pay £215,430 towards costs; Mr Hardman, £56,200; Mr Davies £40,172; Mr Oldworth £37,466; Mr Sampson, £16,733 and Mr Hill, £9,366.

Verdicts of guilty were recorded by the disciplinary committee on six of the eight charges against Mr Hardman, Mr Davies, Mr Sampson and Mr Peter Dixon. Four of the seven charges were proved against Mr Anthony Oldworth and five of the seven against Mr Hill. Mr Sampson was found not guilty of two of the eight charges levelled against him.

TSB fight could last years

BY DAVID LASCELLES, BANKING CORRESPONDENT

ALTHOUGH THE Government intends to press ahead with the flotation of the Trustee Savings Bank (TSB) in February, regardless of yesterday's setback in the Scottish courts, a shadow has fallen over what was to have been one of the most straightforward of the big UK asset sales.

The best that the Government can hope for is a swift and successful appeal against the Scottish judge's ruling that the assets of the TSB Scotland belong to the depositors and not, as the Treasury had decided after taking legal advice, to the bank itself.

Even that may not resolve matters so easily, however. If they lose, the Scottish depositors who brought the case and the Scottish National Party which is making much political capital out of it, will appeal to the House of Lords. If they lose there, they can take it still further in the European Court of Human Rights – a process that could go on for years.

But whatever the outcome of all the legal activity [experts were picking through the minutiae of English and Scottish law last night] the key message that the TSB's advisers were trying to get across yesterday is that the TSB sale is authorised by Act of Parliament, so it cannot be reversed without further legislation.

If the worst happened and the Treasury were to lose its case in the European Court, the UK Government would have to compensate depositors for depriving them of their assets – a bill that would amount to about £850m, which is the expected net value of the TSB's assets at flotation. Investors who had bought TSB shares would not have to hand them back, and the group would remain a publicly quoted company unless some future government decided to nationalise it.

However, the City of London is bound to feel uneasy about handling a share issue worth £1bn – the largest bank flotation ever in the UK – with a court case rumbling in the background, particularly with the TSB hoping to attract a million shareholders.

For the Government, too, the situation is fraught with embarrassment, particularly if other regional interests are encouraged to take up the cudgels. And there is still a chance that the Government will decide to delay the sale by postponing the final step – the vesting of the TSB's assets in a new public company, which would have to be done by early January if the flotation is to proceed on schedule.

Yesterday's jolting, though not wholly unexpected, development is the culmination of a long battle by the Scots to assert depositors' ownership rights.

Woolworth withdraws Property Shop

Financial Times Reporter

F. W. WOOLWORTH yesterday withdrew the remaining 22 concessions for The Property Shop at Woolworth, a private company which operates a cut-price house selling and buying service from space in Woolworth stores. The private company is not a Woolworth undertaking and Woolworth plays no part in its management.

"The decision by F. W. Woolworth to withdraw the concessions comes after The Property Shop's failure to meet arrears of licence fees and to satisfy Woolworth over its financial affairs," Woolworth said. These arrears amounted to £140,000, Woolworth said.

The latest development comes after The Property Shop closed 16 concessions on October 7. Customers whose contracts had not been fulfilled had their fees refunded in full. Woolworth is taking steps to safeguard customers affected by the closures.

Woolworth said: "We have withdrawn the concessions to protect the interests of our customers. The Property Shop has failed to satisfy us over its financial security and we feel it would be irresponsible of us to allow it to continue trading in our stores. We are terminating the concessions under the terms of our contract, which allows us to do this if licence fees are not paid."

Plea for resumed air link with Argentina

BY IAN HAMILTON-FAZEY

BRITISH AIRWAYS would like Britain to resume normal commercial relations with Argentina as soon as possible. It wants to redevelop its South American services quickly after privatisation, which the airline's management expects to take place next June.

Speaking in Hong Kong during the inaugural celebrations of BA's new scheduled service from Manchester via Munich, Dubai and Bangkok, Mr Colin Marshall, the airline's chief executive, said: "We would very much hope that a commercial agreement would be reached ahead of diplomatic agreement." He hoped that increasing evidence of electoral support for the Alfonsin Government would encourage this.

Flying into Buenos Aires was the key to BA's profitable development of South American services. As soon as flights resumed between Britain and Argentina, BA would extend its Rio de Janeiro service, probably substituting the present TriStar 500 with a Boeing 747 to carry more passengers.

The new route to Hong Kong and back – the first flight into Manchester landed yesterday – is likely to be the last long haul flight. BA will have time to add to its privatisation prospectus, though there is an outside chance that another Manchester route – to Islamabad via the Gulf – will be secured in time for June. BA thinks this will tap into the existing large ethnic market with Pakistani connections in West Yorkshire.

The service to Hong Kong is expected to be profitable, partly because of the large Chinese communities in Liverpool and Manchester, but also because of south German demand for direct connections between Munich, Dubai and Bangkok.

Market research has shown that Bavarians dislike having to travel to Frankfurt for intercontinental connections just as much as people in the north of England resent having to travel to London for similar purposes.

The Manchester service is on introductory offer until December 9, with £50 off Apex return prices of £562 to £587 and £150 off the club and first-class fares of £1,548 and £2,868 return. The twice-weekly service brings BA's flights into Hong Kong to nine out of a permitted 10. The other seven are from London.

Mr Marshall said that loading was good on the airline's single permitted flight from Hong Kong to Peking and BA would like more. Hong Kong's importance would increase as other services into China opened up, most run by local short-haul operators. BA would feed into these.

Large brewers given warning on takeovers

BY LISA WOOD

BRITAIN's big brewers were warned yesterday by the Monopolies and Mergers Commission that it was not giving a green light to a wave of takeovers by approving the £100m-plus bid for Matthew Brown by Scottish & Newcastle Breweries.

The commission, as expected, reported that the proposed acquisition of Matthew Brown, the northwest England brewer of Slalom lager, would not operate against the public interest.

The commission, while expressing support for a regional sector of the industry, said that did not mean that any mergers could not take place. But it added: "There may well be e strong case on public-interest grounds against acquisition of a regional brewer by any of the five largest national tied-estate brewers. But we are eot convinced that, in the interests of averting further concentrations, there is a strong enough case to prevent the acquisition of Matthew Brown by S & N."

That reference to the big brewers – which include Bass, Whitbread, Allied Breweries, Watney Mann & Truman, and Courage – caused a fall in the share prices of several regional brewers. There had been widespread speculation in the City of London that approval of the S & N bid might result in a new wave of mergers in the industry, with the nationals hoping to expand their tied-house estates through acquisitions.

The share price of Greene King, the Suffolk brewer, fell by 21p to 225p, that of Vaux, the Sunderland brewer, by 33p a share to 370p

Mr Alick Rankin, group managing director of S & N, yesterday, expressed concern over the value the City was still placing on several of the regional brewers. He said that until S & N had had time to examine the commission's report, it was important not to have preconceived ideas about S & N's action over renewing the bid.

Matthew Brown's board, headed by Mr Patrick Townsend, the chairman and managing director, said: "Our firmly held view remains that the continued independence of Matthew Brown is in the best interests of its shareholders, employees and customers and the public at large. The board will therefore act accordingly."

The Whitbread Investment Trust, which is 49.89 per cent owned by Whitbread, Britain's third biggest brewer, pledged its belief that its 9 per cent investment in Matthew Brown would be best served in the long term by Matthew Brown remaining an independent company.

Britannic Assurance, which holds 9.6 per cent of Matthew Brown's shares, said at the time of the commission's investigation that it would prefer in principle to see Matthew Brown remain independent.

S & N's bid for Matthew Brown automatically lapsed on April 24 when the proposed merger was referred to the commission. At the time, S & N held a 12.8 per cent stake in Matthew Brown.

S & N's share price closed at 180p a share, down 1p on the day, and that of Matthew Brown closed at 517p, down 3p.

Lex, Page 28

Revenue staff raised to ease tax workload

BY CLIVE WOLMAN AND DAVID BRINDLE

THE INLAND REVENUE will be raising its staff target by 3,500 over the next two years as one of several measures to reduce its backlog of unanswered letters and incorrect tax demands.

The Inland Revenue Staff Federation last night welcomed the change in policy as the first breach in the Government's manpower ceiling for the Civil Service.

The union has lifted its overtime ban for 12 months in response to the concession. In e further move to help clear the backlog of work by saving staff time, the Revenue will suspend several management checks and ease some of its demands on taxpayers. In particular, most self-employed workers will be given an extra three months' grace on their next year's income tax payments.

The total cost of these measures is estimated at £10m in overtime payments in the financial year to April and, subject to review, e further £25m in the next financial year. The cost of employing extra staff is estimated et £15m in the next financial year, 1986-87, and at £22m in 1987-88.

The Revenue cut its staff from 84,600 in 1979 to 70,000 and was planning to reduce eumbers further to 62,900 by April 1988. The revised target is 66,400. The computerisation of the pay-as-you-earn (Paye) system, to be completed by 1988, and administration simplification measures such as the introduction of a composite rate of tax on bank interest were expected to permit the projected cuts. However, the Revenue underestimated the pace of growth in the numbers of self-employed and small businesses and in the fringe benefits given to higher paid employees. All of these have increased staff requirements.

The consequence of this underestimate and of an overtime ban imposed by the Inland Revenue Staff Federation was a backlog of 6.2m letters and other items requiring a reply. About 25 per cent of these are letters from taxpayers. The worst affected areas have been in the south east of England and south Midlands.

Among the Revenue administrative procedures which will be suspended for 12 months to save staff time are the routine management checks on the accuracy of clerical work and the processing of information from outside sources oe payments which might be taxable.

The shift in priorities to removing the backlog will mean disputes between taxpayers and the Revenue being settled at a slower pace. Demands for tax from those earning relatively small amounts of self-employed income, which would normally arrive next November, are expected to be delayed by about three months.

These changes and the increase in staff will allow more time to be devoted to investigating tax evasion in the local offices, although there will no further increases in the staffing of the specialist anti-evasion units.

More emphasis on needs of self-employed

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

INCREASED emphasis on self-employment and the needs of the long-term unemployed is displayed in revised employment measures announced by the Government yesterday.

One new scheme announced by Lord Young, Employment Secretary, will attempt to tackle the situation in which unemployed people on relatively high levels of benefit have little financial incentive to seek lower-paid jobs.

From January, the Government will offer e £20-a-week Job Start payment to long-term unemployed people who accept work paying less than £80 e week gross. The payment will last for six months and the scheme, which will be tried out in seven pilot areas, will be extended nationally if successful.

Yesterday's announcement also signalled a reprieve for the Loan Guarantee Scheme, which had been due to end next month, until at least April. Employment ministers regard the scheme – under which more than £500m worth of lending has been made available to small businesses – as one of the most cost-effective employment measures, and they are seeking ways of retaining it beyond next year.

Another of the more successful employment measures, the Enterprise Allowance Scheme, which provides financial encouragement for unemployed people to start their own businesses, is to be further extended. An extra £17m will enable the number of places on the scheme to rise from 65,000 to 80,000 in 1986-87.

Other measures announced yesterday include a stronger emphasis on training for the long-term unemployed and those starting new businesses, and greater government financial support for local enterprise agencies and the job-generating tourist industry.

The Government is, however, introducing legislation to end the system of state financial support for redundancy payments. That will come into effect next October and will save more than £200m in a full year.

Mark Meredith looks at a land reclamation problem of grand dimensions

Coal board seeks use for Europe's biggest hole

ANYBODY WANT to buy Western Europe's biggest hole in the ground?

Derelict factories can be torn down, trees can be planted on the site of old steelworks. But what can you do with a pit big enough to hold a small town with several high-rise buildings?

The National Coal Board's (NCB) open-cast pit at Westfield in central Fife, Scotland, finished production last February. In a quarter of a century 130m cubic metres of rock and 23m tonnes of coal were excavated, leaving a hole about 240 hectares in area and 200 metres deep.

Normally the open-cast division of the NCB takes the restoring of open-cast pits in its stride. Its publicity brochures show the scars of mining transformed into rolling wooded countryside or parkland.

Rock extracted with the coal is more bulky in its broken-up form and, when dumped back, usually fills the gap. Huge mechanical diggers gouge out the rock as they work their way through the coal seams and dump the leftover rock behind them as landfill.

Westfield is different, which is why it presents a special problem for an industry anxious to refill its old mines. Other open-cast pits are much shallower – about 60 to 70 metres deep – and most of the other 57 sites in Britain have a higher ratio of rock to coal: 20 to 24 cubic metres of rock to 1 cu m of coal is usual in this kind of mining and provides sufficient landfill for restoration.

Westfield has been something of an open-cast miner's dream with about 6 cu m of rock to 1 cu m of coal. Nowhere else in Britain are seams that dense and coal in that quantity so close to the surface.

At Westfield there has not been enough rock to put back. A peat bog had to be removed to get at the coal and rock was piled over a neighbouring bog to form a small hill which was eventually turned into agricultural land.

The hole remains. Despite its size it cannot be seen from the roadside. Glider pilots are said to be fans of the pit and make use of the thermals (updraughts of warm air) produced by the sun on the dark grey rock.

It looks deeper than it is wide. The pit narrows at the bottom, where an ugly red-brown lake, about 22 metres deep has formed. Huge steps around the side provide stability for the walls of the hole.

The NCB's restoration undertaking would see Westfield turn into another Scottish loch. It seems rather more like an undertaking to leave behind a landscaped hole.

According to some estimates it will take up to 20 years to fill and more years of treatment to rid itself of acidic minerals which would kill off any fish or plant life. Some piles of rock and slurry are being cleared. The site contractor, Costain, is still moving its heavy equipment off the site.

It seems that holes can be made more acceptable. This one is being made less deep – about 10 metres – and longer. Excavated rock from an earlier phase of digging is being dumped into the hole.

Westfield is unlikely to become much of a tourist attraction. Two other lochs, Loch Leven and Loch Gelly are either side and already pull in the region's fishermen and boaters.

The other option for Westfield is as a possible waste dumping site. It might be sold to a private contractor. Consultants have been brought in to examine the possibilities.

But this would have to be waste disposal on a grand scale with many of its environmental worries. A hole this size would need to handle the rubbish of several large cities the size of Edinburgh and Glasgow and not just that of the adjoining districts in Fife and Tayside.

Inflow of funds to building societies reaches peak £631m

BY CLIVE WOLMAN

NET INFLOW of funds to building societies from the wholesale money markets reached £631m in October, the highest monthly inflow on record according to figures released yesterday by the Building Societies' Association. Building societies are savings institutions which provide the bulk of UK house-purchase finance.

In addition, the societies took in an extra £796m from individual investors (net of withdrawals), the highest monthly figure since January. When accrued interest is added the total funds available for lending on mortgages increased in October by £1.8bn.

Mortgage demand increased sharply, stimulated by September's cut in interest rates. Gross advances of mortgage funds reached a record level of £2.5bn, or £1.3bn net of repayments. This compared with figures of £2.1bn and £1.1bn in September. Net new commitments made by building societies to provide mortgages also rose from £2.5bn to £2.8bn in October, which suggests that a further increase in mortgage advances is likely this month and next.

Although most of the banks lost their competitive edge in the mortgage market because they delayed cutting their interest rates until mid-October or November, they were also able to increase their net lending for house purchase in the month to October 16 to £382m. This is the highest figure for three years.

October is traditionally a month in which building societies benefit from an upsurge in the inflow of funds from savers who are building up their cash balances after the summer holiday season and in preparation for Christmas.

After cutting their interest rates to savers in late August and the start of September, many building societies decided to raise again their rates on short-notice and instant-access accounts. This ensured that the societies continued to offer more attractive rates to most savers than the Department for National Savings.

The societies' receipts from the wholesale money markets were boosted by the freedom granted to the societies to tap the Euromarkets for the first time without having to deduct tax at source on their interest payments. The Halifax was the first to issue a Eurobond in the form of a £150m seven-year floating-rate note and was followed within a few days by the Nationwide and Abbey National societies.

After its initial impact, however, the contribution of funding specifically from the Euromarkets is likely to be less in the next few months.

New state company to handle N-waste

BY DAVID FISHLOCK, SCIENCE EDITOR

A NEW state-owned company to manage the bulk of nuclear waste in Britain will shortly be announced by the Government.

Shares in the company, UK Nirex, will be owned jointly by four state-owned companies, with a single "golden share" held by the Energy Secretary, who will appoint two board members.

Other shareholders in UK Nirex will be the four partners in the existing agency, the Nuclear Industry Radioactive Waste Executive (Nirex), which the new company formalises. These are: the Central Electricity Generating Board (42.5 per cent), British Nuclear Fuels (42.5 per cent), the UK Atomic Energy Authority (7.5 per cent) and the South of Scotland Electricity Board (7.5 per cent).

UK Nirex will also undertake nuclear waste disposal activities for the Ministry of Defence, Amersham International, the Department of Health and other companies and laboratories.

Mr John Baker, a CEGB board member, is to become its chairman, taking over from Dr Lewis Roberts, director of the Harwell nuclear energy research station in Berkshire, where the Nirex agency is based.

A senior CEGB manager, Mr Tom McInerney, is managing director-designate of UK Nirex. Mr Maurice Ginniff, the present manager, will be responsible for the technical programme.

Mr McInerney said staff at present were mostly recruited from the Atomic Energy Authority but this would gradually be redressed by recruitment from British Nuclear Fuels and other shareholders.

The company's premier task will be the design and construction of a shallow repository for relatively low-level and short-lived nuclear wastes.

Nirex has already identified a potential site in a clay deposit on land owned by the CEGB at Elstow near Bedford. But the Government has asked it to find at least two further sites and has proposed that all sites shortlisted be submitted to a public inquiry for final selection.

Nirex said yesterday it had submitted several possible sites to the Environment Department and was awaiting a government decision on which sites would face a public inquiry.

At a "teach-in" on nuclear waste disposal, organised by the industry's new Nuclear Electricity Information Group in London yesterday, Prof Terence Lee, professor of psychology at Surrey University, denied claims by the Friends of the Earth environmental group that the whole country was against nuclear energy.

CBI analyses secrets of management success

BY RICHARD EVANS

SECRETS OF successful management are often so deceptively simple that they are not widely understood and applied by many British businessmen, according to an independent report prepared for the Confederation of British Industry (CBI).

A year-long study of over 70 successful UK companies seeks to discover the reasons for their success and to judge what lessons need to be learnt.

The report, prepared by Mr Rob Matthews, principal lecturer in economics at Kingston Polytechnic, will be discussed at the CBI annual conference in Harrogate next week.

Mr Matthews found in his interviews with 72 senior executives that four aspects of successful management were emphasised:

● Significant advances in controlling costs and introducing more professional systems of financial management have occurred over the last five years, and this is regarded as a big success for British management.

● The more successful companies said they pushed decision-making down the line as far as possible, in order to get closer to the customer and to give managers early responsibility.

● Successful companies knew their market well, but with the notable exception of the leading retailers, many sectors were found to be lacking in their marketing prowess.

● Motivation of employees was widely seen as the key to improved performance, but many UK companies were found to be behind US and Japanese subsidiaries. The best companies used a range of techniques – employee assessment, remuneration linked to performance, the creation of a positive company culture and constant communication within the company at all levels.

Sir Austin Pearce, chairman of the CBI's industrial performance steering group, introducing the report yesterday, said: "There has been a significant improvement over the last five years, but the competition has also improved and we are still too far behind the best in terms of our overall performance. We all have lessons to learn and we must pay close attention to our winners... The CBI must do more to ensure more are aware of what makes a successful company, and act accordingly."

Managing for Success; CBI, Centre Point, 103 New Oxford Street, London, WC1A 1DU; £8.50.

A LITTLE PIECE OF SWITZERLAND HAS JUST ARRIVED IN LONDON.

The little piece of Switzerland we are talking about is, in fact, even more Swiss than the Matterhorn.

It's a bank.

The Swiss Volksbank to be precise.

You see, as of the 13th of November we officially opened a London branch slap-bang in the middle of the city.

Its job, to represent the not inconsiderable buying power of our 148 branches back in Switzerland.

One of our great strengths is being able to place securities rather than merely trading them on in the market.

We also trade, with confidence, in the Swiss Franc FRN sector but needless to say, you'll find us everywhere in the $100 billion Eurobond market.

The new London branch of the Swiss Volksbank offers our corporate customers a comprehensive banking service with the emphasis on international trade.

In addition to formal banking facilities, the London branch will assist clients in establishing contacts between British and Swiss companies and supply commercial and investment information about Switzerland.

You'll also find us helpful in the area of short and medium term loans, including export and trade finance.

But most of all, you'll find we can bring you the kind of professional, reliable and personal service that has made Swiss banking famous throughout the known world.

So, next time you're in the city, if someone offers you a lift to your Swiss-bank, don't be surprised if it's a ski-lift.

SWISS VOLKSBANK

LONDON BRANCH – LICENSED DEPOSIT TAKER
48/54 Moorgate, London EC2R 6EL. Telephone: 01-628 7777.

PM 'misled Commons over TSB sale plan'

By Kevin Brown

THE Prime Minister was accused of misleading the House of Commons yesterday over the future of the assets of the Trustee Savings Bank (Scotland).

Protests by Alliance and Labour MPs were cut short, however, by Mr Bernard Weatherill, the Speaker, who refused to hear points of order and told MPs: "I cannot accept that the Prime Minister has misled the House."

The row blew up during Prime Minister's Question Time after Mr Charles Kennedy (SDP, Ross, Cromarty and Skye) welcomed Lord Davidson's ruling in the Court of Session in Edinburgh that the assets of the Scottish TSB were the sole property of depositors.

Mr Kennedy called on the Government to confirm that plans to establish the Scottish TSB as part of a private sector banking group would be dropped in the light of the ruling.

Mrs Thatcher told him: "We shall be considering the judgment very carefully, and will make a statement when we have done so."

Mr David Steel, the Liberal leader, demanded an assurance that "in your determination to proceed with privatisation, you will only sell those items to which you have a valid title. Will you now abandon the attempt to deprive the depositors of the TSB of their property?"

Mrs Thatcher accused Mr Steel of seeking "an instant reply to a judgment we have not yet seen in full." She said it was "better to see a judgment before one comments on it."

Mr Donald Stewart (SNP, Western Isles) said that in the light of the ruling by the Court of Session, legislation to change the status of the TSB would be "expropriation without compensation."

Mr Stewart called for an assurance that the Government would not appeal against Lord Davidson's ruling "in the English House of Lords."

Mrs Thatcher said the law must be obeyed, but everyone had the right to all the remedies the law allowed.

Tempers flared at the end of Question Time when Mr Steel drew attention to a news agency despatch announcing the Treasury's intention to appeal against Lord Davidson's ruling.

He asked whether the Prime Minister's statement that the Government was still considering the judgment meant the Treasury announcement was incorrect.

He was supported by a number of Opposition MPs, including Mr James Craigen (Lab, Maryhill) who said the Prime Minister had indicated that a statement would be made to the Commons before a decision on the ruling was announced.

As Mr Weatherill insisted the issue was not a matter for the Speaker, Mr Dennis Skinner (Lab, Bolsover) told him: "If the Prime Minister has misled the House, is there not an obligation on you to ensure that she has an opportunity to put the facts straight."

Labour MPs delayed the delivery of the Autumn Financial Statement by Mr Nigel Lawson, the Chancellor, as they shouted "Answer, answer" at the Prime Minister, still in her place on the Government front bench.

The protesters included Mr Willie Hamilton (Lab, Fife Central) who shouted at the Prime Minister: "You are misleading the House," and Mr Andrew Faulds (Lab, Warley East) who said: "You misled the House intentionally."

Later, Mr Jim Wallace (Lib, Orkney and Shetland) said in a statement on behalf of the Liberals that Lord Davidson had given the Government "yet another judicial black eye."

Mr Wallace said Lord Davidson had confirmed what many opponents of the change of status of the TSB had asserted—that the Government was trying to dispose of assets which were rightly the inheritance of millions of ordinary men and women.

The Chancellor of the Exchequer's statement in full

MR NIGEL LAWSON, the Chancellor of the Exchequer, said in his statement to the House of Commons yesterday.

With permission, Mr Speaker, I should like to make a statement. I am laying before the House today an Autumn Statement which brings together the Government's outline public expenditure plans, proposals for National Insurance contributions next year, and the forecast of economic prospects for 1986 required by the 1975 Industry Act.

This year's Autumn Statement contains considerably more information than its predecessors. It breaks new ground by providing a forecast of the public expenditure outturn for 1985-86 for each department, and the plans not just for the year immediately ahead but for each of the next three years. Both these innovations meet specific requests from the Treasury and Civil Service Committee and I hope they will be welcomed by Honourable Members.

The outturn for the financial year is expected to be the same as set out in the Budget, that is, £134bn. After allowing for inflation, this is lower than last year, which bore the brunt of the public expenditure cost of the coal strike.

The Government will continue to maintain firm control over public spending. Following this year's review, the planning totals for 1986-87 and 1987-88 will be held to the levels set out in the Budget—£139bn and £144bn respectively. For 1988-1989 the total has been set at £149bn. Over these three years public spending in real terms is expected to be broadly flat at very slightly below this year's level. As a percentage of national output it will continue to decline as it has since 1982-1983. By 1988-89 it should be back to its lowest percentage since 1972-73.

In order to meet contingencies, the plans contain large reserves, rising from £4.5bn in 1986-87 to £8bn in 1988-89. The reduction in the reserve for 1986-87 as compared with the provisional reserve for that year, which I announced at the time of the Budget, chiefly reflects the fact that the passage of time allows part of the reserve in any given year to be allocated to individual expenditure programmes as their costs become known more accurately. But the £4.5bn reserve for the year immediately ahead remains a substantial figure.

Although I expect the planning total for 1985-86 to be the same as I did at the time of the Budget, the public sector borrowing requirement—subject to the usual margin of uncertainty at this time of year—is forecast to be about £1bn higher: some £8bn rather than £7bn. This is due to lower sterling oil revenues. But even at £8bn, the PSBR would be the smallest it has been as a percentage of gross domestic product since 1971-72.

The PSBR would, of course, have been running at a higher level than this were it not for the proceeds from privatisation, to which I will turn in a moment. But even without the privatisation proceeds, this year's forecast PSBR would still be the smallest as a percentage of GDP since 1971-72.

The Government's privatisation programme is now getting into top gear and will continue for many years to come. I cannot stress too strongly the importance of this programme—now being emulated throughout the world—as a fundamental objective of Government policy. The transfer of state-owned businesses to the free enterprise sector of the economy brings enormous long-term benefits to the nation as a whole, in terms of greater concern for the customer and increased efficiency. It also provides the opportunity for a massive boost to wider share ownership, both among the public in general and the employees of these great enterprises in particular.

The increased pace of privatisation means that the proceeds from this programme will rise substantially from £2.5bn this year to £4.75bn in each of the next three years. In particular, the planned flotation of the British Gas Corporation is included for the first time. At the same time, however, there have been increases in a number of public expenditure programmes, so that the overall planning totals have remained unchanged.

However, this needs to be seen in perspective. Even if the proceeds from privatisation were to be ignored altogether, the public expenditure planning total would still be broadly flat in real terms, at less than 1 per cent above this year's total; and public spending would still be on a steadily declining path as a percentage of GDP, reaching by 1988-89 its lowest level since 1972-73.

The annual review of public spending provides an opportunity to reconsider priorities and adjust the balance between programmes. While some programmes this year have been held back, it has been possible to make significant additions to others.

There will be increased spending on the National Health Service over previous plans of £250m in 1986-87 and £300m in 1987-88. On top of this, health authorities are able to spend the savings from their cost improvement programmes which are expected to amount to £150m this year and still more in future years. This should enable health authorities to meet demographic pressures and deliver improvements in services as well.

Total public sector provision for housing is being increased by £220m net of receipts in 1986-87 and £200m in 1987-88; and the housing plans now provide for some £3.25bn of capital spending next year. Within this total the Government believes there should be a substantial shift in priorities in favour of renovation of the existing public sector housing stock.

Hugh Routledge

Mr Nigel Lawson, the Chancellor, leaves 11 Downing Street on his way to the Commons yesterday.

An extra £54m in 1986-87 and £71m in 1987-88 is being made available for capital expenditure on national and local roads.

Just over £1bn is being added to the social security programme for 1986-87, largely as a result of the 7 per cent increase in benefits taking effect this month. Expenditure in the subsequent years of the survey period is subject to decisions on the Government's Social Security Review, on which a White Paper will be published shortly.

Additional provision has been made under the law and order programme to allow local authorities to direct extra spending towards the police.

For defence, the provision is unchanged. After the substantial real increases in spending since 1978-79, from which the defence programme will continue to benefit, the emphasis must now switch to improving our defence capability through greater efficiency and value for money, especially in procurement.

On employment, there were large additions in the Budget to fund an expansion of the Youth Training Scheme and the Community Programme. In this Survey, a number of new initiatives have been agreed but savings are to be made by a reduction in payments from the Redundancy Fund. My Right Honourable Friend the Paymaster General will be making a statement giving further details later today.

There have been significant improvements in efficiency and value for money in many programmes. It is a great mistake to fall into the trap of measuring public expenditure programmes solely on terms of the money put into them: it is improved output that matters.

Further details of these and other changes are contained in the Autumn Statement itself, and of course full details, together with information on running cost and manpower, will be given in the Public Expenditure White Paper to be published early in the New Year.

I now turn to National Insurance contributions. The Government has conducted the usual autumn review of contributions in the light of advice from the Government Actuary on the prospective income and expenditure of the National Insurance Fund.

The lower earnings limit will be increased next April to £38 a week, in line with the single person's pension, and the upper earnings limit will be similarly increased to £285 a week, broadly in line with earnings.

I announced in the Budget reduced rates of contribution for the lower paid and their employers—5 per cent for those earning up to £55 a week, 7 per cent for those earning up to £90 a week and 9 per cent for employers of workers earning up to £130 a week. These took effect at the beginning of last month and are already starting to provide welcome assistance to the low paid and their employers, and a stimulus to the employment of the young and unskilled. The limits for these reduced rate bands will also be increased from April, in line with the lower and upper earnings limits, to £60, £95 and £140 a week respectively.

There will be no change in the main Class 1 contribution rates, which will remain at 9 per cent for employees and 10.45 per cent for employers. This is the third year running in which National Insurance contribution rates have been held constant, despite a growing number of pensioners and the substantial uprating of benefits taking effect later this month.

My Right Honourable Friend the Secretary of State for Social Services will this afternoon announce details of these proposals, and will lay before parliament the necessary Order and the accompanying report by the Government Actuary.

Finally, I turn to the Industry Act forecast. The economy is progressing very much as I envisaged at the time of the Budget. Inflation is falling again, after the predicted temporary rise in the spring, although I now expect inflation in the fourth quarter of this year to be slightly above the Budget forecast: 5¼ per cent rather than 5 per cent.

The overall growth of the economy this year still looks like turning out at 3½ per cent—the highest rate of growth since 1973.

The pattern of growth, too, has been much as envisaged. Exports and business investment, as expected, were the fastest growing elements in demand in 1985. The rise in total investment is now put at 4 per cent in 1985; within this figure business investment is expected to be up by 7 to 8 per cent, to yet another all-time record.

As a result of this steady progress, there has been a substantial growth in the number of people in work since 1983. This has now been reflected in a levelling out in unemployment—albeit still at a sadly high level, not least because of the rapid growth in the total labour force. The prospect here is for some further improvement, assisted by the measures I announced in the Budget to help on the jobs front, which will have their main effect in 1986. But that improvement could easily be put at risk by excessive pay settlements.

The prospect for 1986 is one of continued growth and still lower inflation. The composition of growth is likely to change somewhat, with consumer spending taking up the running as exports—which had an exceptional rise of 7 per cent this year—grow more slowly. The current account balance of payments surplus is forecast at £4bn, compared with £3bn in 1985. Fixed investment is expected to grow, once again, slightly faster than the economy as a whole.

Overall, the economy in 1986 is expected to grow at a further 3 per cent—the fifth successive year of growth at an average of 3 per cent a year, and into the sixth: the best performance since before the first oil shock. At the same time, inflation is expected to fall further, to 3¾ per cent in the fourth quarter of 1986.

Indeed, if the forecast is correct—and I am the first to admit its inevitable fallibility—1986 promises to be the first year since the 'sixties when inflation and growth will be within one point of each other. What is beyond doubt is that we are now achieving the steady growth with low inflation which successive Governments have sought in vain for a generation.

All in all, Mr Speaker, the progress and prospects I have described amount to the clearest possible vindication of the policies we have been following these past six years, and will continue to follow.

The Autumn Statement is now available from the Vote Office, and the House will no doubt wish to take it into account when we debate the economy tomorrow (Wednesday). The framework of public expenditure control which it sets out should allow scope for considered and justified reductions in the burden of taxation. And these in turn will further reinforce the economy's flexibility and dynamism. It is on that prospect that the future prosperity of all our people depends.

THE GOVERNMENT yesterday sought approval from parliament for an additional £1.6bn in winter supplementary estimates, writes Peter Riddell.

These winter supplementary estimates include £1.23bn which are counted as public spending, almost all of which is being charged to the contingency reserve. The rest consists of transactions within the public sector.

These figures are consistent with those in the Autumn Statement showing that public expenditure for 1985-86 as a whole will be within the existing target and that the whole of the £5bn reserve will be used up.

In the first half of the current financial year, spending on the main central Government programmes was 0.2 per cent above the profiles agreed at the start of the financial year.

In detail, the main supplementary estimates are an extra £578m for supplementary housing benefits caused by the increase in the number of beneficiaries in various categories. In addition, an extra £123m is being sought for family practitioner and other services because of an increase in the cost of drugs.

There has also been a need for an additional £176m to support the British Steel Corporation to reflect an increase in its external financing limit and to meet the additional cost of foreign and overseas borrowing, as well as extra money for British Shipbuilders.

As in past years, an extra £214m is being sought to finance increased intervention on cereals and beef.

Edinburgh banana skin fails to upend Nigel

NIGEL LAWSON just managed to keep his balance in the Commons yesterday despite the nasty banana skin placed in his path by Lord Davidson's ruling on the Trustee Savings Bank (Scotland).

The judge's decision in the Court of Session in Edinburgh that the TSB belonged to its Scottish depositors was a considerable embarrassment to the Government's plans to privatise the bank.

Opposition MPs clearly believed that it bore out the charge made by the Earl of Stockton (former Tory Prime Minister Harold Macmillan) that the Government was flogging off the family silver.

Apparently there is now a doubt whether some of it was the Government's to sell off in the first place.

"It's called swag," taunted one Labour MP.

But Mr Lawson is not easily embarrassed. A considerable section of his Autumn Statement was devoted to the glories of privatisation and, despite the news from Edinburgh, he just ploughed on as if nothing had happened.

"The Government's privatisation programme is now getting into top gear and will continue for many years to come," he boasted.

"I cannot stress too strongly the importance of this programme—now being emulated throughout the world—as the fundamental objective of Government policy."

This gave rise to much ribald laughter among Labour MPs, who believed that it was all a gigantic con trick to enable the Government to bribe the electors with cuts in income tax.

With as much dignity as he could muster, Nigel tried, not very convincingly, to brush aside these charges.

"It enables tax reductions which would in any case have taken place to be brought forward a little to the great benefit of the economy," he argued.

Yes, but what would happen when the great sell-off of state assets came to an end?

The Chancellor had a simple and convincing answer to this. By that time, the Conservatives would have been in office for another six years, so all would be well.

A little earlier, Mrs Thatcher had taken a nasty skid on the same banana skin when she was questioned about the TSB ruling. She managed to silence her questioners by saying that the Government would consider the matter and make a statement.

Unfortunately, it was then discovered that the Treasury had just announced that it would appeal against the decision. Immediately David Steel, the Liberal leader, and others were on their feet protesting.

However, Speaker Bernard Weatherill rejected allegations that the Prime Minister had misled the House and turned down a belated Labour attempt to get an emergency debate on the matter.

Throughout his statement, Mr Lawson was clearly apprehensive about charges that the Government was making a U-turn in economic policy. Former Conservative Prime Minister Ted Heath, who invented this economic manoeuvre back in the early 1970s, was keeping a beady eye on the Chancellor from below the gangway.

Shadow Chancellor Roy Hattersley gave his usual blustery performance, but avoided the use of the dread phrase, even though there was plenty of ammunition in the statement with its references to increased spending on the NHS, housing and roads.

It was left to the SDP's Ian Wrigglesworth to urge the Chancellor to come clean and admit that he was doing a U-turn and reflating by selling off public assets.

Even then Mr Lawson could not bring himself to utter the tainted phrase. He replied that the only about-turn was the one carried out by former members of the Labour Party, like Mr Wrigglesworth, who had joined the Social Democrats.

We moved onto an announcement by Kenneth Clarke, the Paymaster General, of new measures aimed at reducing unemployment. It was the first major Commons statement by this promising newcomer to the Cabinet who is Lord Young's deputy at the Department of Employment.

The statement was greeted with suspicion by Labour MPs and the ebullient Mr Clarke treated them like a crowd of disgruntled spoilsports. From the Conservative backbenches he received nothing but effusive praise.

An encouraging start for the new boy.

John Hunt

Consultative period sets note of caution over rates reform

BY PETER RIDDELL, POLITICAL EDITOR

A CONSULTATIVE period of six to nine months is likely following the publication within the next couple of months of the Government's green paper on the reform of local government finance.

This timescale makes it highly unlikely that legislation reforming the rates system in the UK can be introduced in the 1986-87 parliamentary session, though Mrs Thatcher and senior colleagues are still determined to present firm proposals to parliament before the next general election.

However, there may not be time for a Bill to be enacted before the election, and implementation will certainly not be until after the election.

Tory business managers are opposed to legislation before an election because of the internal party divisions it might create, as well as doubts among voters about gainers and losers.

The options were considered again yesterday morning at a meeting of a special Cabinet committee on the subject. No firm decisions were taken and work continues on preparation of the consultative paper.

Some of the options, covering a mixture of a poll tax or resident's charge, and modified domestic rates, are likely to be presented in a "greener" form than suggestions for the central fixing of business rates.

The possibility of separate legislation for Scotland—if early agreement cannot be reached in the whole of the UK—has increased in recent weeks.

Mr George Younger, the Scottish Secretary, has persuaded colleagues on the committee both of the seriousness of the political position in Scotland unless firm action is taken before the next election, and the practical possibility of legislating separately, given the differences in the system of local government finance between Scotland and the rest of the UK.

Both Mrs Thatcher and Mr Kenneth Baker, the Environment Secretary, are committed to the desirability of reforming the rating system, both because they believe the present position is inequitable for ratepayers and because there are increasing constitutional problems of accountability in cities.

Tory MP attacks strategy

By Our Political Editor

SIR PETER TAPSELL, a senior Tory backbencher and stockbroker, last night launched a strong attack on Government economic policy.

In a speech in the City, delivered last night but written before yesterday's economic statement, Sir Peter challenged the Government's military policy, its privatisation programme and its preference for tax cuts.

Sir Peter, MP for East Lindsey, warned that, at present exchange rates, exports would suffer next year, manufacturing industry would be affected and unemployment would get worse.

He said that, if the alleviation of unemployment was the Government's main objective, the choice was clear-cut. "The employment impact of an extra £1bn of public expenditure is much greater if the money is spent on the infrastructure than on reducing taxation."

He argued that an expansion of such spending should be accompanied by a cut in the employers' National Insurance contributions to minimise the risk of higher inflation.

Sir Peter argued that a steady trend towards lower unemployment would do more for the Government's standing than a couple of giveaway Budgets which may be regarded as electioneering gimmickry.

Poll date

THE TYNE BRIDGE by-election is to be held on Thursday, December 5. The writ to fill the seat following the death of Mr Harry Cowans, the Labour MP, was moved in the Commons yesterday.

At the 1983 general election, Mr Cowans had a 11,893 majority in a three-cornered contest.

Kinnock condemns 'cowardly' Militants

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

MR NEIL KINNOCK, the Labour leader, last night delivered a scathing attack on the Militant Tendency, describing it as "dishonest, cowardly and cynical."

But he indicated there would be no purge of its supporters from the Labour Party. Expulsions would be carried out only if there were clear proof of a formal, personal commitment to the Militant organisation. For the rest, the Tendency would be "engaged and defeated by argument and by numbers."

In a Fabian Society lecture in London, Mr Kinnock spoke out against all democratic centralist groups—the "self-appointed elite who pose themselves to spring into the leadership of the working class movement at the very moment of the downfall of capitalism, which all foretell with the same frequency and accuracy as the exotic religious sects which forecast the end of the world."

Some existed as jargon-swapping cliques of the margins of politics; others opted for a "parasitical" life within the labour movement.

"The strategy of entering or using the mass party without publicly proclaiming ideological methods and motives requires a particular kind of dishonesty," he said.

"It involves systematically abusing the open and tolerant character of the Labour Party and having contempt for the purposes and the people of the mass party. But since—in their view—the ends are held to justify the means, a neat and nasty tactic called 'revolutionary truth' provides a licence to lie about their organisation, their funding and their aims.

"That is essential to them for they could hardly acknowledge that they have a 'programme principles and policy' that is not only distinctive and separate from the Labour Party but directly hostile to the party's democratic socialist objects as defined in Clause IV of the constitution."

Mr Kinnock said there was nothing formally in the party constitution or in the conventions of the party which would deny membership to people simply because of their views. The prohibition related to organisations having a programme, principles and policy.

"What makes the democratic centralists different in nature from others who may hold distinctive ideologies in the Labour Party is the fact that for them ideology is inseparable from organisation. Such groups cannot follow their ideology without having a secretive, disciplined organisation, and an organisation of that form is incompatible with membership of the Labour Party.

"It is for that reason that the Militant Tendency has no place in the Labour Party. It is too dishonest to acknowledge that it has membership, too cowardly to organise and operate as a separate party, too contemptuous of the people that it calls 'comrades' to tell them the truth."

Brittan faces scorn over investment

BY KEVIN BROWN

MR LEON BRITTAN, the Trade and Industry Secretary, faced Opposition criticism and ridicule in the Commons yesterday, as he sought to develop the Government's new stress on the benefits of public investment.

Mr John Smith, the shadow Trade and Industry Secretary, said the Government had wasted North Sea oil revenues and unpatriotically sold off public assets in a seedy and shameful operation.

"When you scratch the patriots opposite you find just below the Union Jack a hand outstretched to grab the greatest profit," he said.

Mr Roy Jenkins (SDP, Glasgow Hillhead), a former Labour Chancellor, accused Mr Brittan of maintaining "a fluent lack of conviction." He said the economic picture was not entirely bleak, but growth was likely to tail off next year and there was no sign that a significant reduction in unemployment was possible without a major change in Government policy.

Mr Brittan's speech, in the continuing debate on the Queen's speech, reflected the tone of the Prime Minister's address to the Lord Mayor of London's banquet on Monday, in which she claimed the Government was involved in a colossal programme of national renewal.

Mr Brittan laid heavy stress on the record level of total fixed investment last year, and repeated the Prime Minister's claim that investment would be higher still next year.

Ignoring Opposition shouts that manufacturing investment was still below the level of 1979, he insisted that what was important was the total level of investment in the economy. He said the dismissal of non-manufacturing investment, such as investment in tourism, by Mr Neil Kinnock, the Labour leader, was disgraceful.

He insisted that revenues from North Sea oil had financed a mass of major infrastructure projects, and would continue well into the next decade.

He said there were encouraging signs that the level of unemployment would soon begin to fall, and stressed that 600,000 new jobs had been created in the last two and a half years.

Mr Brittan faced repeated challenges from Labour MPs to dissociate himself from suggestions by Mr Jeffrey Archer, deputy chairman of the Conservative Party, that many young people did not want to work.

He declined to do so, insisting that Mr Archer had already explained his words. Mr Brittan attacked Labour MPs for "trivialising" a major debate by raising the issue.

Mr Brittan said he had not been convinced that Gartcosh was essential to the future of Ravenscraig. But he repeated Government guarantees that the mill was safe for the time being.

Mr Brittan said the public spending provision for English Industrial Estates, which provides industrial and commercial premises for new ventures in assisted areas, would be increased by more than 20 per cent to £19.3m.

Mr Leon Brittan: Investment set to rise

Tin market stability urged

BY OUR POLITICAL EDITOR

MEMBER COUNTRIES of the International Tin Agreement must face up to their responsibilities this week and restore some sort of order to the tin market, Mr Bryan Gould, Labour's trade spokesman, said yesterday.

"The prospect of major industrial nations, led by the EEC, trying to walk away from their commitments is a horrifying one, not only because it is morally outrageous, but because of the damage it can do to international commercial relations," he said.

"The specific British concern for a properly organised commodity market in London is a legitimate national interest,

F

Fruits

Fall in inflation and slowdown in exports seen next year

IN A statement after the Chancellor sat down the Treasury said:

Tha world economy in the last two years has made substantial hut uneven, gains ln output and trade. The rate of inflation has fallen further, helped hy steady macro-economic policies in most OECD countries, and weak commodity prices. The recovery in Europe is now strengthening and, despite continuing international deht problems and some major payments imbalances, growth in world output and trade should continue.

The forecast is based on tha usual assumption that macro-economic policies in the UK wlll be as indicated in the Medium Term Financial Strategy (MTFS), set out in the 1985 Financial Statement and Budget Report (FSBR). Tha forecast is also based on the assumption that the effective exchange rate will not change much from its average level since March.

Inflation is set to decline further: an increase in the RPI of about 5½ per ceot in the current quarter is forecast to fall to under 4 per cent in the course of 1986. Money GDP growth at 9 per cent in 1985-86 and 7 per cent in 1986-87, is expected to be close to that foreshadowed in the MTFS.

Business fixed investment and exports were the fastest growing elements of demand up to the first half of 1985. The fall in inflation in prospect, together with some slowdown in UK exports, is expected to lead to soma sbift away from exports towards domestic demand. Overall, and with a contribution of almost ½ per cent from the ending of the coal strike, ontput growth in 1986 is forecast to be close to the 3 per cent annual average experienced since 1981.

Further rises in employment are expected as a result of continued growth in the economy and helped hy the measures to increase the demand for labour ln the 1984 and 1985 Budgets. With the prospect of soma slowdown in labour supply growth, and with more people benefiting from employment measures, the trend in unemployment should continne to be more favourable than over the last two years. But no major change is in prospect for the growth of earnings in 1986, implying substantial further increases in real wages.

A further sizeahle surplus is expected to be earned on current account in 1986, helped by recent gains to the terms of trade.

For the current financial year, 1985-86, total government borrowing (the PSBR) ls forecast, subject to a substantial margin of uncertainty, at £8bn, £1hn higher than forecast at Budget time. Lower oil revennes are likely to be only partially offset hy higher revenues elsewhere. For 1986-87, the forecast follows the MTFS in making the assumption that the PSBR will be set at 2 per cent of GDP, equivalent to £7¼hn.

THE WORLD ECONOMY

World trade and outpnt are growing in a steady hut unspectacular way. Real GNP in the major seven countries (inclndiog the UK) may be nearly 3 per cent higher in 1985 than in 1984, and world import volumes could increase by 5 per cent. Whereas the rapid expansion in world activity in 1984 was heavily dependent on the US, the growth differential between the US and Europe has been virtually eliminated over the past 12 months. The slowdown in US growth has contrihuted to lower world interest rates.

At the same time, tha rata of inflation continues to fall: consumer prices in the major countries may rise hy less than 4 per cent this year, compared with the 4½ per cent increase in 1984. This fall has been alded hy weak commodity prices (see Chart 1.1), and humper harvests which have pushed food prices to tbeir lowest levels for almost a decade. World oil prices expressed in dollars have fallen only modestly in 1985 compared with 1984 and there has been some recovery in recent months. This firmness has occurred despite a marked imbalance between production capacity and demand, in part because of large cuts in production by some Gulf producers. However, the weakening of the dollar since 1985 has brought about some adjustment of real oil prices.

The fall (of over 15 per cent) in the dollar's effective rate since its peak levels ln February was helped hy some central bank interveotion. Even so, tha dollar is still no lower than at the beginning of 1984. Tha US current account Is in large deficit, ceflecting the substantial dlfference in domestic demand growth between the US and other OECD countries since 1983, and the strong dollar.

The growth of private investment and consumers' expenditure in the US, although still faster than in other OECD countries, has slowed down compared with 1984. Domestic demand may weaken in 1986, but a recession seems unlikely: interest-sensitive sectors of the economy such as bousing investment and consumer durables may still have some benefit to coma from the fall in interest rates over the past year; inflation remains low; consumers' confidence ls still celatively buoyant; and fiscal policy seems to be tightened only gradually. The decline in the dollar's exchange rate in the course of 1985 should belp net exports next year to offset the slowdown in domestic demand, but may bave relatively little immediate impact on the currenet account deficit.

Output is picking up in both Germany and France. Continuing progress in reducing inflation in the major European countries, coupled with recent reductions in interest rates, should make for faster growth ln domestic demand in 1986. Weakness in commodity prices, especially oil, and the appreciation of the yen this year will reduce Japanese inflation; in consequence, Japanese growth is likely to come more from domestic demand and less from exports than in recent years.

Little increase in the demand for oil is expected in 1986 and in view of the difficulties OPEC is experiencing in sharing present levels of output between its members, there could well be soma excess of supply over demand, which could bring about a fall in oil prices, as indicated by tha futures market.

In developing countries, weak terms of trade and continuing high deht servicing costs will constrain domestic demand and import growth. The lower dollar will ease deht burdens, hnt major adjustment problems will remain. Some Opec countries are also likely tn have to cut hack their imports.

Overall, the major economies should grow by about 3 per cent in 1986.

THE EXCHANGE RATE AND THE BALANCE OF PAYMENTS

The average level of the sterling index since March has been close to the average of 1983 and 1984. For this forecast it is assumed not to change mnch from this level.

Costs and prices have been rising rather faster in the UK than in most of the other major economies and may do so again in 1986. With the exchange rate little different from the 1983 and 1984 level, and labour costs per unit of output in the UK increasing relative to those overseas, manufacturers' price and cost competitiveness worsened to some extent in the course of 1985.

Import prices of goods have on average fallen over 7½ per cent since their peak in March, largely because of tha appreciation of sterling but also because of weak world commodity prices. Over the same period, prices of imported manufactures have fallen hy 5½ per cent. This is less than the rise in the exchange rate, suggesting that as usual importers widened their profit margins as sterling rose. In the year to the final quarter of 1986, import prices are expected to rise slowly (perhaps hy 3-4 per cent), reflecting a low rate of inflation in the major industrial countries.

Export prices have barely risen since the end of 1984, but there has probably been only a limited fall in exporters' margins because rises in labour costs have been partly offset by falls in the cost of imported materials. Over the next year export prices are expected to rise at much the same rate as import prices. The terms of trade in goods (other than fual) may therefore remain close to the current level, which is some 4 per cent better than the 1983 and 1984 average. The terms of trade in services may follow broadly the same pattern.

Export volumes rose strongly in the second half of 1984 at a time when world trade was also rising strongly. Since then, during a period of slower growth in world trade, they have fallen back somewhat but in tha three months to September were 7½ per cent higher than a year earlier. Next year, exports are expected to rise gently. World trada is expected to continue expanding. The worsening of price and cost competitiveness this year may restrain exports next year, but experience of the past five years suggests that export volumes have not been very responsive to price and cost changes. Exports of goods are forecast to rise by some 2-3 per cent in volume terms in 1986, after a rise of 7½ per cent in 1985.

Although domestic demand for manufacturers has probably been growing more slowly this year, the leval of imports has risen less than expected. The deficit on trade in manufactures in 1985 is now expected to be much the same as in 1984. There may be a fairly sharp rise in imports in 1986 due to further increases in demand, and to rising import penetration in manufactures—the main factor in which is tha continuation of a longstanding trend in most of the developed economies. Imports of goods are projected to increase in 1986 by 5-6 per cent in voluma terms, compared with 4 per cent in 1985.

Domestic demand for oil was boosted temporarily in 1984 and in the early months of 1985 by the coal strike. In underlying terms demand for oil has been broadly flat, despite rising GDP, as the economy continues to adjust to the large rises in oll prices in the seventies. This decline in oil demand, relative to GDP, may continue next year. UK oil production may be at mucb the same level this year as in 1984 and there maye be little change next year. Net oil export volume is expected to be higher in 1986. But with sterling oil prices currently below the average so far in 1985, and futures markets pointing to some further decline, the balanre of trade in oil at current prices may fall a little (see Tahle 1.2).

The balance on services has been improving since 1982. Travel and tourism earnings, strong this year, are particularty sensitive to price changes. Soma improvament in the services terms of trade is expected to be broadly offset by a deterioration in the services balance at constant prices. The profile of the transfers balance depends largely on the timing aod size of government transactions with the EC.

The surplus on interest, profits and dividends (IPD) increased in 1984 hut fell back in the first balf of 1985. The data for both 1984 and 1985 arc however liable to substantial revision. In particular, the implled rate of return on direct investment overseas looks low and it has been assumed tbat the provisional data for the first half of 1985 will be revised upwards. The IPD balance in 1985 may be similar to 1984. A rise io UK interest rates relative to those overseas, and an increase in North Sea dabits, are offset hy a higher level, for 1985 as a whole, of net overseas assets and little change in relative returns, the IPD balance should increase in 1986.

The ontlook ls for a sizeable current account surplus in 1985, mucb as expected in the Budget forecast and for another substantial surplus in 1986. The profile of the surplus would be smoother if allowance were made for the coal strike which redneced the surplus by £2¾hn and £1¼hn in 1984 and 1985 respectively. Tahle 1.2 summarises the forecast of the main components of the current account.

INFLATION

As sbown in Table 1.3 there has been a wide disparity in tha rate of change of different price indices over the last year. While the RPI rose hy 7 per cent between tbe second quarter of 1984 and the second quarter of 1985, the deflator of GDP at market prices — which measures the rise in prices of UK inputs, above all of wages and profits—increased hy little more than 5 per cent over the same period. Producer input prices have fallen since February, while producer output prices have continued to rise, albelt at a slower rate since the spring.

The differences between the indices reflect two factors in particular. Firstly changes in huilding society mortgage rates and house prices affect the RPI but not the other price indices. Secondly, the price indices all show different speeds of response to changes in the exchange rate and ln world prices. The prodncer input price index is the most sensitive to the latter influences in the short term; both the fall in the sterling index up to February of this year and its suhsequent recovery have heen picked np more quickly here than in the other indices.

Input costs bave fallen over the last year because of the weakness in world prices of commodities (including oil), and hecause of a higher level of sterling. The growth in lahour costs, at least in manufacturing, appears to have increased over the last year. As recorded, wage costs per unit of output in manufacturing in the three months to August are estimated to have been some 7 per cent higber than a year earlier, having risen only about 5 per cent in total in the two years between 1982 and 1984. However the true extent of the accelaration in labour costs is uncertain, given the margin of uncertainty around estimates of manufacturing output for the recent past, and the indication from the CBI Surveys that output may indeed have been stronger during 1985, and hence productivity higher, than the official figures currently abow.

For the ecooomy as a whole underlying growth in earnings (ie abstracting from special factors such as the coal strike) was about 7½ per cent in the pay round ending in the summer of 1985, virtually the same as in the previous two years. Underlying growth in output per bead has probably been around 2-2½ per cent, while the abolition of NIS was worth about 1 per cent off labour costs in the first three quarters of 1985, compared with the corresponding period in 1984. Thus over this period, after makiog allowance for the coal strike, unit labour costs for the economy as a whole hava grown at a rate of around 4 per cent.

The rise in RPI inflation during tha latter part of the last pay round seems to have had little effect on pay settlements: oo doubt in part because it was widely expected that inflation would soon fall back from the peak levels of the early summer. RPI inflation at the start of the new pay round has been roughly a point higher than it was a year ago; but with companies finding it increasingly difficult to raise prices, and a substantial fall in inflation next year widely forecast, there may not be much change in the general level of pay settlements in the current pay round. The prospect is for stroog growth in reat earnings, 3-4 per cent over the next year. Once more, most ot those in work will enjoy a substantial rise in living standards, following three years in which real earnings have risen on average hy nlmost 2½ per ceot a year. No major chaoge in the growth of labour costs is forecast for 1986.

The outlook for inflation over the next year is affected by world prices and tbe exchaoge rate, both in terms of costs and in tarms of UK producers' aod distributors' ability to raise prices on the domestic market. These factors point to a sigoificant fall in inflation from now on, reversing the situation in the first balf of 1985. The behaviour of competitors' prices—the price of imported manufacturers fell hy about 5½ per cent between March aod September—means that profit margins ace unlikely to go on rising at the same rate as io the first half of 1985.

The forecast is for retail prices to be about 5½ per cent bigher in the last quarter of 1985 than a year earlier. As compared with the forecast puhlished in the FSBR in March, the housing component of tha RPI has riseo rather moce than expected and food prices rather less. Next year inflation should continue to fall, and hy the end of 1986 inflation may he around 3¾ per cent.

The deflator of GDP at market prices, which inceased by 4½ per cent in 1984-85, is expected to rise hy 5 per cent ln 1985-86 and hy 4½ per cent ln 1986-87.

DEMAND AND ACTIVITY

Economic activity rose hy about 2½ per cent ln 1984, when the coal strike depressed economic growth by over 1 per cent. After altowing for the estimated effects of the strike, the average measure of GDP grew by 3½ to 4 per cent in the year to the first half of 1985, and at an annual rate of ahont 3½ per cent between the first half of 1983 and the first half of 1985.

Over the year to the first half of 1985 both exports and husiness investment made a major contrihution to the growth in demand. Consumers' expenditure, which had flattened out after the middle of 1983, has recently been showing signs of cenewed growth. Falling stock levels during much of 1984 and early 1985 ceflected the impact of the coal strike; but quite apart from tbis, stock output and stock sales ratios have continued to fall in both manufacturing industry and distrihution, and published surveys suggest that they are not yet down to desired levels. The atypical bebaviour of stockbuilding in the current cycle, while dampening down totat growtb io demand and output so far, means there is less danger of a stock correction causing or intensifying a cyclical slowdown.

Between the first halves of 1984 and 1985 real personal disposable income rose by about 2½ per cent, and consumers' expenditure rose by about 1½ per cent in real terms. The personal saving ratio, which fell by about 5 points between the end of 1980 and early 1983 has risen a little over the last year. In the last few months there has, bowever, been evidence of renewed strength in expenditure on consumer durables, with a high level of car registrations and retail sales of durable goods in the third quarter of 1985.

As inflation falls over the next year growth in real personal disposable income is likely to pick up further. Eventually the fall in inflation should lead to a lower personal saving ratio; but over the immediate future consumers' expenditure may not quite keep up with the growth in incomes. Consumer durable expeoditure is normally highly responsive to changes in personal income, and could grow by 10 per cent or so in 1986; overall consumers' expen-

Continued on Page 20

TABLE 1.13

Constant price forecasts of expenditure, imports and Gross Domestic Product*

£bn at 1980 prices, seasonally adjusted

	Consumers' expenditure	General government consumption	Total fixed investment	Exports of goods and services	Change in stocks	Total final expenditure	Less imports of goods and services	Less adjustment to factor cost	Plus statistical adjustment	GDP at factor cost	GDP index 1980=100
1980	137.0	48.9	41.6	63.1	−2.9	287.8	57.7	30.8	0	199.3	100.0
1981	136.6	48.8	37.7	62.0	−2.6	282.6	55.8	30.2	−0.4	196.2	98.4
1982	137.6	49.3	40.1	62.8	−1.0	288.7	58.5	30.6	0.5	200.1	100.4
1983	143.1	50.2	41.9	64.1	0.7	300.1	62.0	31.6	0.1	206.6	103.7
1984	145.5	50.7	45.4	68.5	0.1	310.1	67.8	32.8	2.1	211.6	106.2
1985	149.1	50.8	47.3	73.4	0.4	321.0	70.4	33.3	2.1	219.4	110.1
1986	155.4	51.0	49.0	75.0	1.0	331.5	73.0	34.7	2.0	225.8	113.3
1984 First half	72.5	25.2	22.6	33.6	−0.3	153.6	32.9	16.3	0.7	105.0	105.4
Second half	72.9	25.5	22.8	34.9	0.2	156.5	34.9	16.5	1.5	106.6	107.0
1985 First half	73.8	25.5	23.5	37.0	0.2	159.9	35.5	16.5	1.2	109.1	109.5
Second half	75.4	25.3	23.8	36.5	0.2	161.1	34.9	16.9	0.9	110.3	110.7
1986 First half	76.7	25.6	24.6	37.2	0.4	164.5	36.0	17.2	0.8	112.1	112.5
Second half	78.7	25.4	24.4	37.8	0.7	166.9	37.1	17.5	1.2	113.6	114.0
% changes											
1983 to 1984	1½	1	8	7		3½	9½	4		2½	2½
1984 to 1985	2½	0	4	7		3½	3½	1½		3½	3½
1985 to 1986	4	½	3½	2		3½	4	4		3	3

* GDP figures in the table are based on "compromise" estimates of gross domestic product, reflecting for the past average movements in constant-price expenditure, output and income estimates of GDP. Percentage changes are calculated from unrounded levels and then rounded to half per cent. Totals in £bn may not add due to rounding. Figures beyond 1985 first half are forecasts.

TABLE 1.1

World economy

Percentage changes on a year earlier

	1984	1985	1986
Major countries*:			
GNP	5	3	3
Consumer prices	4½	4	3½
World import voluma	8½	5	5
World trade in manufactures (UK-weighted)	8½	5	5

* US, Canada, Japan, France, Germany, Italy and UK.

TABLE 1.2

Current account—balance of payments basis

	Manufactures	Oil	Other goods	Invisibles	£ bn Total
1984	−4	7	−7	5	1
1985	−3½	8½	−7	5	3
1986	−4½	8	−5½	6	4

TABLE 1.4

Retail prices index

Percentage changes on a year earlier

	Weight in 1985	1984 Q4	1985 Q4*		1986 Q4
Food	20	3½	3½	(4)	3½
Natiooalised industries†	9	4	5	(5½)	5
Housing	14	10½	9½	(7)	4½
Other	57	4	5	(5)	3½
Total	100	4¾	5½	(5)	3¾

* 1985 FSBR forecast in parentheses.
† Includes water; ST is included in "other" prices throughout.

TABLE 1.7

Estimated changes in employment (GB, seasonally adjusted)

thousands

	Employees in employment: Male	Female full-time	Female part-time	Self employed	HM Forces	Employed labour force
June 1983 to June 1984	−95	+7	+205	+273	+4	+394
June 1984 to June 1985	−71	+42	+162	+126	0	+260

TABLE 1.10

General government receipts

£bn

	1984-85	1985-86
Taxes on income, expenditure and capital	106	112½
National insurance and other cootributions	23	24½
Interest and other receipts	10½	12½
Accruals adjustments	1	−½
Total receipts	140½	149
of which North Sea tax revenues*	12	11½

* Before Advance Corporation Tax set off.

TABLE 1.8

Output per head of the employed labour force

Annual average percentage changes

	1964-73	1973-79	1979-84
Manufacturing	3½	0¾	3½
Non-manufacturing*	3	0½	1†

* Excludes public services and oil, includes nationalised industries (except steel).
† Adjusted for the coal strike.

TABLE 1.11

Public sector borrowing*

£bn

	1984-85	1985-86
General government expenditure	149½	158
General government receipts	140½	149
General Government Borrowing Requirement	9	9
Public corporations' market and overseas borrowing	1	−1
Public Sector Borrowing Requiremeot	10	8
as percentage of GDP	3	2½
Money GDP at market prices	328	357

TABLE 1.5

Domestic demand and GDP

Percentage changes on a year earlier

	1984	1985	1986
Domestic demand	2½	2½	3½
Exports of goods and services	7	7	2
Imports of goods and services	9½	3½	4
Domestic production: GDP*	2½	3½	3

* Average measure.

TABLE 1.6

GDP and manufacturing output

Percentage changes on a year earlier

	1984	1985	1986
GNP (Average measure)	2½	3½	3
GDP, adjusted for coal strike*	3½	3	2½
Manufacturing output	4	2½	2½

* Adjustments are approximate.

TABLE 1.9

General government expenditure

£bn

	1984-85	1985-86
Public expenditure planning total	129½	134
Interest paymeots*	16	18
Less public corporations' market and overseas borrowing*	1	−1
Other adjustments*	5	5
General government expenditure in national accounts terms	149½	158

* Adjustments to convert the planning total into general government expenditure on a national accounts basis. These are listed in table 2.16 of the 1985 Public Expenditure White Paper (Cmnd 9428). The major adjustments (other than interest payments and public corporations' market and overseas borrowing) are to add capital consumption, VAT refunded to local authorities, and transactions concerning certain notional public sector pension funds.

TABLE 1.12

Economic prospects

	Percentage changes 1984 to 1985	1985 to 1986	Average errors from past forecasts*
A Output and expenditure at constant 1980 prices			
Gross domestic product (at factor cost)	3½	3	1
Consumers' expenditure	2½	4	1
General government current expenditure	0	½	1
Fixed investmeot	4	3½	2½
Exports of goods and services	7	2	3
Change in rate of stock-building as a percentage of the level of GDP	0	½	1
Imports of goods and services	3½	4	3
	1985	1986	
B Balance of payments on current account (£bn)	3	4	3
C Retail prices index (4th qtr)	5½	3¾	3†

* The errors relate to the average differences (on either side of the central figure) between forecast and outturn. The method of calculating these errors has been explained in earlier publications on Government forecasts, notably in the Economic Progress Report, June 1981. The errors are after adjustment for the effects of major changes in fiscal policy, where excluded from the forecasts.
† The average error for inflation was calculated from a period of much higher inflation and overstates the likely margin of error at low rates of inflation. Over the period since 1979, the average error in annual Industry Act forecasts has been 1 per cent.

TABLE 1.3

Price indices

Percentage changes on a year earlier

	RPI	GDP deflator at market prices	Producer price indices*: input prices	output prices
1983	4.6	5.1	7.9	5.4
1984	5.0	4.5	8.7	5.6
1985 Q1	5.5	4.7	14.7	6.4
1985 Q2	7.0	5.3	6.8	6.4
1985 Q3	6.3	n/a	1.2†	6.4†
1985 September	5.9	n/a	9.1†	6.3†
October	n/a	n/a	−3.8†	6.1†

* Manufacturing industry other than food, drink and tobacco.
† Provisional.

Fruits of privatisation 'will enable income tax cut to be brought forward'

PROCEEDS FROM the further privatisation of puhlicly owned assets will enahle the planned cuts in income tax to be "broughl forward a little," Mr Nigel Lawson, the Chancellor of the Exchequer, told the Commons yesterday, writes Ivor Owen.

Closely questioned by Mr Roy Hattersley, Lahour's deputy leader and shadow Chancellor, about the implications of his Autumn Statement, be denied thet no tax cuts would have been possihle cither this year or next without the proposed flotation of shares in British Gas.

Mr Lawson's claim that the statement marked a further stage in the consistent davelopment of the economic policy pursued by the Government over the past six years was ridiculed from the Opposition benches and qnestioned by some Government supporters.

One Tory "wet" welcomed the Chancellor's announcement of what he termed a programme of "selective investment" and the measures to help the unemployed unfolded by Mr Kenneth Clarke, the Paymaster General.

Mr Lawson assured Mr David Howell (Con, Guildford) that he would be "happy to look" at his suggestion that there should be a return to an initial 25 per cent income tax band — primarily designed to help the lower paid — as operated by the last Labour Government.

Mr Hattersley maintained that tha tax cuts would be financed from the sale of British Gas and other national assets and that they would prove to be temporary.

He predicted that only one tenth of the proceeds from asset sales would be used for capital expenditure and thst nine tenths would be allocated to finance "election hribes."

Mr Hattersley accused the Chancellor of being incapable of planning beyond October 1987 — widely tipped as a possible date for the next general election — and asked why the public sector borrowing requirement should not be allowed to overshoot next year as well as this year so as to finance more capital expenditure.

Mr Lawson stressed that pnblic expenditure was declining steadily as a proportion of gross domestic product even if no account was taken of the proceeds of the privatisation programme.

Therefore, he insisted, the scope for tax reductions was assured.

He added: "To the extent that thece is any relationship between privatisation proceeds and tax rates, what it does is to enable the tax reductions, which would in any case take place, to be brought forward a little to tha great benefit of the economy."

Mr Dick Douglas (Lab, Dunfermline West) suggested that the Chancellor was setting out to stimulate a consumer-led boom and asked what the effect would be on imports, particularly manufactured goods.

Refusing to accept there was any need for concern about the balance on payments, Mr Lawson retorted: "I am sorry you are so gloomy at the prospect of the consumer doing a little bit better."

Mr Ian Wrigglesworth, (SDP, Stockton South) urged the Chancellor to "come clean" and admit that the Government had done an about-turn and was reflating the economy hy selling off public assets.

He argued that any additional resources availahle to the Chancellor should be directed to job creation and helping those hit by the Government's policy over the past six years.

Mr Lawson ceplied that the prospects for employment, though not as good as he would like, were clearly improving.

While welcoming the commitment to "infrastructure refurbishment," Mr Patrick McNair-Wilson (Con, New Forest) asked the Chancellor to consider relaxing the restrictions on the amount local authorities are permitted to spend from the monies they hold from the sale of council houses.

Mr Lawson answered that the reasons for the restrictions had been set out clearly hy the Government, and the position had not changed.

Pressed by Mr John Browne (Con, Winchester) to help industry hy reducing interest rates Mr Lawson said they would be kept no higher than was necessary to ensure that monetary conditions were sufficient to bring down inflation.

"What I will not do is take any chances with inflation," he said.

Amid the general welcome for the Government's proposals to provide further help for the long-term unemployed and for small companies, Mr Michael Grylis (Con, Surrey North West) complained that tha money available for small businesses under the Loan Guarantee Scheme—to be extended until April 1986—was very expensive. He suggested that the premium should be reduced.

Mr Roy Hattersley: Tax cuts will not last

Roads and housing are main public spending priorities

THE Treasury said after the Chancellor's statement:

The Government has confirmed the cash totals for public expenditure for 1986-87 and 1987-88 at the levels set out in the 1985 Financial Statement and Budget Report (FSBR). Plans have now been formulated for 1988-89. After allowing for inflation, the public expenditure planning totals will remain broadly constant over the three years. With continuing economic growth over the planning period, public expenditure will continue to account for a steadily declining proportion of GDP. By 1988-89 it will be lower than at any time since 1972-73.

1985-86 OUTTURN

The estimated outturn for 1985-86 is £134.2bn—as in the FSBR.

FUTURE YEARS: THE PLANNING TOTAL

The public expenditure planning total for 1986-87 has been set at £139.1bn, and the totals for 1987-88 and 1988-89 at £143.9bn and £148.7bn respectively. In 1984-85 prices the public expenditure planning total is expected to remain broadly stable at around £127bn a year, slightly lower than in 1984-85 and 1985-86. As a percentage of GDP, public expenditure falls from its peak of 46½ per cent in 1982-83 to 41 per cent in 1988-89, compared to 43 per cent in 1978-79.

FUTURE YEARS: MAIN CHANGES

Within unchanged planning totals a significant increase in receipts from the Government's privatisation programme has been matched by increases in departmental programmes. In addition the passage of time allows part of the Reserve for unforeseen contingencies in any given year to be allocated to programmes as their costs become known more accurately.

Within this increased programme provision, priority has been given to capital spending on roads and renovation of local authority housing; and to spending on health and science. In addition, scope has had to be found for demand-led increases in social security, agricultural support under the CAP and for export credit. Spending on defence remains at the level of previous plans.

Full details of spending plans, together with details on running costs and manpower, will be given in the forthcoming Public Expenditure White Paper.

DEPARTMENTS

Table 2.2 sets out spending plans by department including local authority spending and nationalised industry external finances. The breakdown into departments will be carried through into separate chapters of the Public Expenditure White Paper and into the classes for Estimates, thereby making it easier to make comparisons between the various documents. Subsidiary Tables 2.2A to C at the end of Part 2 show separately the three elements within the departmental totals—nationalised industries' external finance, local authority relevant current spending and other departmental spending (including local authority capital).

The estimated outturn for 1985-86 reflects an increase in provision as a result of carry-forward of capital underspend from 1984-85 and the determination of the external financing requirement of Royal Ordnance plc, which had not been fixed at the time of the last Public Expenditure White Paper (Cmnd 9428). This increase has been met from the Reserve. For 1986-87 and 1987-88 the provision remains as planned. For 1988-89 the provision represents a continuation of these plans. The figures for each year include provisions for Falklands costs, which decline over the period.

Additions have been made to the overseas aid programme. Their effect will be to maintain the programme to 1988-89 at its 1985-86 level in real terms. Part of the additions will be used to increase Aid and Trade Provision.

Additional provision has been made in the FCO (Other) programmes to offset increases in overseas costs, and for BBC external services. In the last year an extra £20m is included to compensate for the ending of loan repayments by Yugoslavia.

The estimate of the United Kingdom's net payments to European Community institutions has increased, mainly because of a decline in our assumed share of receipts from the Community budget (particularly in respect of agricultural expenditure). The uneven pattern in net payments compared with the figures in Cmnd 9428 mainly reflects special financial arrangements earlier this year as a result of the failure of the European Parliament to adopt the 1985 Community budget on time, and the fixing of a relatively low sterling/ecu exchange rate for determining our VAT liability in the 1986 Community budget.

Increased provision is made to meet the cost of intervention buying which is forecast to go on rising under present CAP policies. Most of the expenditure should be recouped eventually from sales and from EC budget recipts which are reflected in the forecast UK net contributions to the EC.

The small addition relates mainly to capital expenditure on airborne sea fisheries protection patrols in 1986-87.

The provision remains as planned.

Reductions in the external finance of nationalised industries have been made, principally British Steel and the Post Office.

Provision has been substantially increased, mainly due to the higher expected cost of interest support for fixed rate export finance.

The increase in 1986-87 relates mainly to the external finance of the National Coal Board and Electricity (England and Wales) and expenditure on the Redundant Mineworkers Payments Scheme.

In the Budget, substantial increases in provision for the Youth Training Scheme and the Community Programme were announced. These increases, which are included in the figures in Table 2.2 for Cmnd 9428 as adjusted for changes amounted to about £600m in 1986-87 and about £785m in 1987-88. In addition, provision has now been made for an expansion in the Enterprise Allowance Scheme and for extra support for small firms and tourism. Savings result from a number of changes including lower projected expenditure on the Job Release Scheme than previously expected, and from a planned reduction in expenditure from the Redundancy Fund. Compared with the last Public Expenditure White Paper (Cmnd 9422) overall provision for the Department of Employment has been increased by about £600m in each of 1986-87 and 1987-88 (and these increases have been carried through into 1988-89 for which provision is £180m higher than for 1987-88).

Additional provision is made for capital spending on national and local roads (£37m in 1986-1987 and £52m in 1987-88 for national roads and £20m a year for local roads), and for other local anthority capital spending on transport. There are savings on nationalised industries' external finance. Following the new competitive framework for local bus companies (under the Transport Act 1985), and for local airports (as proposed in the White Paper on Airports Policy) these bodies will be treated similarly to nationalised industries and their capital expenditure financed by income, totalling some £39m, will no longer be classified as public expenditure.

Increased provision is made for capital expenditure on renovating the local authority housing stock and for the effect of revised economic assumptions on housing subsidies. This increase is partly offset by a reduction in provision for other local authority capital and current expenditure, in provision for the Housing Corporation and by a higher forecast of capital receipts.

Extra maintenance and new works have been provided for in the first year.

Additional provision has been made for capital and current expenditure by local authorities on local environmental services and for extra expenditure by the

Continued on Page 21

TABLE 2.1

Public expenditure trends

	Planning total (£bn)* Cash	Real terms† (base year 1984-85)	General government expenditure as % of GDP‡
1978-79	65.7	117.4	43
1979-80	77.0	117.6	43½
1980-81	92.7	119.3	46
1981-82	104.6	122.3	46
1982-83	113.4	123.8	46½
1983-84	120.3	125.8	45½
1984-85	129.7	129.7	45½
1985-86	134.2	127.8	44½
1986-87	139.1	126.8	43
1987-88	143.9	126.7	41½
1988-89	148.7	127.1	41

* Figures up to 1985-86 are outturn; for 1986-87 onwards they are plans.
† Cash figures adjusted for general inflation as measured by the GDP deflator at market prices—base year 1984-85. The GDP deflator is assumed to increase by some 5 per cent in 1985-86, and by 4½, 3½ and 3 per cent respectively in the years 1986-87 to 1988-89.
‡ General government expenditure as defined in the national accounts and presented in the Medium Term Financial Strategy (MTFS). The background to the use of general government expenditure in this ratio was set out in Economic Trends, August 1985. Table 1.9 shows the relationship between general government expenditure and the public expenditure planning total.

TABLE 2.3

External financing limits for the nationalised industries (1986-87)

	£m*
National Coal Board	730†
Electricity (England and Wales)	−1 416
North of Scotland Hydro-Electric Board	−4
South of Scotland Electricity Board	236
British Steel Corporation	146
Post Office	−93
National Girobank	−6
British Airports Authority	15
British Railways Board	771
British Waterways Board	45
National Bus Company	−13
Scottish Transport Group	4
British Shipbuilders	73
Civil Aviation Authority	14
Water (England and Wales)	123
London Regional Transport	304
Other industries‡	−460
Total	529

* Figures are shown rounded to the nearest £1m.
† This figure is provisional and will be reviewed.
‡ Allowance for British Gas Corporation and British Airways which are expected to be privatised during 1986-87. Actual outturn will depend on decisions yet to be taken about the timing and circumstances of privatisation. No formal EFL is being set for either industry.

Public expenditure trends excluding special sales of assets

—Planning total £bn*—

	Cash*	Real terms base year 1984-85*†	General government expenditure as % of GDP‡
1978-79	65.7	117.4	42
1979-80	78.0	119.1	44
1980-81	93.1	119.8	46
1981-82	104.6	122.2	46
1982-83	113.9	124.4	47
1983-84	121.5	126.9	46
1984-85	131.8	131.8	46
1985-86	136.7	130.2	45
1986-87	143.9	131.1	44
1987-88	148.7	130.9	43
1988-89	153.5	131.2	42

* Figures up to 1985-86 are outturn for 1986-87 onwards they are plans.
† Cash figures adjusted for general inflation as measured by the GDP deflator at market prices—base year 1984-85. The GDP deflator is assumed to increase by some 5 per cent in 1985-86, and by 4½, 3½ and 3 per cent respectively in the years 1986-87 to 1988-89.
‡ General government expenditure as defined in the national accounts and presented in the MTFS.

TABLE 2.2

Public expenditure plans*†

£m

Departments (including local authority spending and nationalised industries' external finance)	White Paper (Cmnd 9428 adjusted for Budget measures)‡ 1985-86	1986-87	1987-88	Estimated outturn 1985-86	Changes between Cmnd 9428 (adjusted) and outturn 1985-86	Plans 1986-87	1987-88	1988-89	Changes between Cmnd 9428 (adjusted) and plans 1986-87	1987-88
Ministry of Defence	18,060	18,520	18,820	18,200	+200	18,520	18,820	18,990	0	0
FCO—ODA	1,260	1,300	1,320	1,250	0	1,320	1,350	1,390	+ 20	+ 30
FCO—Other	910	600	620	620	+ 10	640	660	700	+ 40	+ 40
European Community	750	640	830	800	+ 50	650	1,150	950	+ 10	+320
IBAP and other CAP expenditure	1,440	1,280	1,300	1,900	+450	1,550	1,640	1,670	+270	+340
Domestic Agriculture, Fisheries & Food	850	820	800	880	+ 30	830	820	830	+ 10	+ 10
Forestry Commission	50	50	50	50	0	50	50	60	0	0
Department of Trade and Industry	1,490	1,380	1,140	1,650	+150	1,300	1,080	940	− 80	− 70
Export Credits Guarantee Department	130	80	− 40	340	+210	280	170	100	+200	+210
Department of Energy	− 70	−940	−880	1,000	+1,100	110	−550	−290	+1,050	+330
Department of Employment	3,370	3,830	4,020	3,300	− 50	3,760	3,810	3,980	− 70*	−210**
Department of Transport	4,540	4,830	4,790	4,500	0	4,810	4,840	4,830	− 20	+ 50
DOE—Housing	2,280	2,530	2,630	2,700	+400	2,750	2,830	2,880	+220	+200
DOE—Property Services Agency	−100	−100	−110	−110	− 10	− 90	−110	−110	+ 10	0
DOE—Other Environmental Services	3,450	3,560	3,500	3,950	+500	3,620	3,530	3,560	+ 60	+ 30
Home Office	4,590	4,790	4,870	4,750	+150	4,960	5,010	5,040	+170	+140
Lord Chancellor's Department	540	570	610	540	0	590	650	700	+ 20	+ 40
Department of Education and Science	13,600	14,020	14,230	14,400	+800	14,320	14,400	14,480	+300	+170
Office of Arts and Libraries	640	710	730	700	+ 70	730	750	760	+ 20	+ 20
DHSS—Health & Personal Social Services	16,490	17,410	18,120	16,700	+200	17,720	18,450	19,140	+310	+330
DHSS—Social Security	40,040	41,650	43,660	41,200	+1,200	42,900	44,400	45,900	+1,250	+740
Civil Superannuation	1,070	1,110	1,230	1,050	0	1,180	1,310	1,400	+ 70	+ 80
Scotland	7,160	7,340	7,320	7,400	+200	7,540	7,390	7,420	+200	+ 70
Wales	2,740	2,880	2,930	2,800	+ 50	2,910	2,940	3,000	+ 30	+ 10
Northern Ireland	4,250	4,460	4,600	4,300	+ 50	4,520	4,690	4,820	+ 60	+ 90
Chancellor's Departments	1,750	1,850	1,870	1,800	+ 50	2,010	2,050	2,070	+160	+180
Other Departments	360	380	400	350	− 10	450	460	470	+ 70	+ 60
Reserve	5,000	6,000	7,000	0	−5,000	4,500	6,250	8,000	−1,500	−750
Special sales of assets	−2,500	−2,250	−2,250	−2,500§	0	−4,750	−4,750	−4,750	−2,500	−2,500
Adjustments¶	330	−250	−250	−300	−630	−650	−250	−260	−400	0
PLANNING TOTAL	134,200	139,100	143,900	134,200	—	139,100	143,900	148,700	—	—

* Some figures may be subject to detailed technical amendment before publication of the 1986 Public Expenditure White Paper.
† Departments' figures are generally rounded to the nearest £10m and the planned Social Security figures are rounded to the nearest £100m. Outturn figures for 1985-86 have been rounded to reflect their provisional nature. Figures up to £1bn have been rounded to the nearest £10m, figures from £1bn to £10bn to the nearest £50m and figures of £10bn or more to the nearest £100m. Differences have been calculated on unrounded figures and rounded to the same way as their equivalent outturn. Figures may not sum to totals or changes due to rounding. The same conventions apply to Tables 2.2A, 2.2B and 2.2C.
‡ Includes minor changes of classification and allocation.
§ Cmnd 9428 planned figure.
¶ Double counting of agricultural spending in Scotland and Wales which is also included in the totals for Domestic Agriculture, Fisheries and Food and IBAP etc. The 1985-86 White Paper figure includes £590m for unallocated local authority spending in England. The 1986-87 plan figure includes external finance of −£400m for nationalised industries to be privatised this year.
** Compared with the last Public Expenditure White Paper (Cmnd 9428) overall provision for the Department of Employment has been increased by about £600m in both 1986-87 and 1987-88.

TABLE 2.2A

Nationalised industry external finance provided for by department

£ million

	White Paper (Cmnd 9428 adjusted for Budget measures) 1985-86	1986-87	1987-88	Estimated outturn 1985-86	Changes between Cmnd 9428 (adjusted) and outturn 1985-86	Plans 1986-87	1987-88	1988-89	Changes between Cmnd 9428 (adjusted) and plans 1986-87	1987-88
Ministry of Defence	10	—	—	10	0	—	—	—	—	—
Domestic Agriculture, Fisheries and Food*	10	10	10	10	0	10	10	10	0	0
Department of Trade and Industry	320	190	130	470	+150	120	70	−70	−70	−70
Department of Energy	−760	−1,540	−1,490	200	+960	−690	−1,140	−880	+850	+350
Department of Transport‡	1,260	1,130	1,080	1,050	−250	1,090	1,080	990	−40	0
DOE—Other Environmental Services	210	140	40	230	+10	140	30	30	0	0
Scotland§	250	130	10	260	+20	240	0	−120	+110	−10
Wales¶	30	20	10	30	0	20	10	10	0	0
Adjustments‖	—	—	—	—	—	−400	—	—	−400	—
Total	1,320	80	−200	2,250						

Notes:
* All Ministry of Agriculture, Fisheries and Food.
† Includes all receipts from Post Office in respect of prepaid envelopes.
‡ The Department of Transport figures for 1985-86 Cmnd 9428 (adjusted) and outturn include public expenditure which is both local authority relevant current spending and nationalised industries' external finance. The sums involved are about £130m and £120m for Cmnd 9428 adjusted and estimated outturn respectively. In 1986-87 and subsequent years the public expenditure figures count this money as local authority relevant only.
§ As for footnote (‡): the sums involved are £40m for both Cmnd 9428 adjusted and estimated outturn.
¶ As for footnote (‡): the sums involved are £10m for both Cmnd 9428 adjusted and estimated outturn.
‖ Adjustment in 1986-87 is in respect of BGC and BA which are due to be privatised during that year (see footnote (‡) to Table 2.3).

TABLE 2.2B

Local authority relevant current expenditure provided for by department

£ million

	White Paper (Cmnd 9428 adjusted for Budget measures) 1985-86	1986-87	1987-88	Estimated outturn 1985-86	Changes between Cmnd 9428 (adjusted) and outturn 1985-86	Plans 1986-87	1987-88	1988-89	Changes between Cmnd 9428 (adjusted) and plans 1986-87	1987-88
Domestic Agriculture, Fisheries and Food*	90	90	90	100	+10	100	100	100	+10	+10
Department of Trade and Industry	60	70	70	70	+10	70	70	70	0	0
Dept. of Employment	80	80	80	90	+10	90	90	90	+10	+10
Dept. of Transport†	1,540	1,760	1,730	1,800	+250	1,750	1,750	1,750	−10	+20
DOE—Housing	110	130	120	130	+20	150	150	150	+30	+30
DOE—Other Environmental Services	2,420	2,570	2,590	2,600	+200	2,640	2,640	2,640	+70	+50
Home Office	3,580	3,730	3,770	3,750	+150	3,860	3,860	3,860	+130	+90
Dept. of Education and Science	10,260	10,610	10,730	11,000	+700	10,820	10,820	10,820	+210	+90
Office of Arts and Libraries	350	380	380	400	+60	400	400	400	+20	+10
DHSS—Health and Personal Social Services	2,330	2,470	2,490	2,400	+100	2,530	2,530	2,530	+60	+40
DHSS—Social Security	110	110	110	150	+40	140	140	140	+30	+30
Scotland†	2,850	2,910	2,940	2,950	+100	2,970	2,970	2,970	+60	+30
Wales†	1,120	1,150	1,190	1,150	0	1,160	1,160	1,160	+10	−30
Adjustments	590	—	—	—	−590	—	—	—	—	—
Total‡	25,490	26,030	26,300	26,550	+1,050	26,680	26,680	26,680	+630	+390

* All Ministry of Agriculture, Fisheries and Food except for less than £1m in each year. These sums are Welsh Office Agricultural Department provision (also in the total for Wales).
† Includes nationalised industries external finance described in footnotes (‡), (§) and (¶) to Table 2.2A together with the sums involved.
‡ Excludes double counting referred to in footnote (*).

TABLE 2.2C

Other departmental spending

£ million

Departments (excluding local authority relevant current expenditure and nationalised industries' external finance)	White Paper (Cmnd 9428 adjusted for Budget measures) 1985-86	1986-87	1987-88	Estimated outturn 1985-86	Changes between Cmnd 9428 (adjusted) and outturn 1985-86	Plans 1986-87	1987-88	1988-89	Changes between Cmnd 9428 (adjusted) and plans 1986-87	1987-88
Ministry of Defence	18,050	18,520	18,820	18,200	+200	18,520	18,820	18,990	0	0
FCO—ODA	1,260	1,300	1,320	1,250	0	1,320	1,350	1,390	+20	+30
FCO—Other	610	600	620	620	+10	640	660	700	+40	+40
European Community	750	640	830	800	+50	650	1,150	950	+10	+320
IBAP and other CAP expenditure	1,440	1,280	1,300	1,900	+450	1,550	1,640	1,670	+270	+340
Domestic Agriculture, Fisheries and Food	750	710	700	760	+20	720	710	720	+10	+10
Forestry Commission	50	50	50	50	0	50	50	60	0	0
Department of Trade and Industry	1,110	1,120	950	1,100	0	1,100	950	940	−20	0
Export Credits G'ntee Department	130	80	−40	340	+210	280	170	100	+200	+210
Department of Energy	690	600	610	820	+130	800	580	590	+200	−30
Dept. of Employment	3,290	3,750	3,940	3,250	−50	3,670	3,730	3,910	−80	−210
Dept. of Transport	1,870	1,950	1,990	1,800	−50	1,980	2,020	2,090	+30	+30
DOE—Housing	2,160	2,410	2,510	2,550	+400	2,610	2,690	2,730	+200	+180
DOE—Prpty. Services Agency	−100	−100	−110	−110	−10	−90	−110	−110	+10	0
DOE—Other Environmental Services	810	860	870	1,100	+300	840	850	880	−20	−20
Home Office	1,010	1,060	1,100	1,000	0	1,100	1,150	1,190	+40	+50
Lord Chancellor's Department	540	570	610	540	0	590	650	700	+20	+40
Dept. of Education and Science	3,340	3,420	3,510	3,450	+150	3,510	3,590	3,660	+90	+80
Office of Arts and Libraries	290	330	340	300	+10	340	350	360	+10	+10
DHSS — Health and Personal Social Services	14,160	14,950	15,620	14,300	+100	15,200	15,920	16,610	+250	+300
DHSS—Social Security	39,930	41,540	43,550	41,100	+1,100	42,800	44,300	45,800	+1,260	+750
Civil Superannuation	1,070	1,110	1,230	1,050	0	1,180	1,310	1,400	+70	+80
Scotland	4,100	4,300	4,370	4,200	+100	4,330	4,420	4,570	+30	+50
Wales	1,600	1,710	1,730	1,650	+50	1,730	1,760	1,820	+20	+30
Northern Ireland	4,250	4,460	4,600	4,300	+50	4,520	4,690	4,820	+60	+90
Chancellor's Depts.	1,750	1,850	1,870	1,800	+50	2,010	2,050	2,070	+160	+180
Other Departments	360	380	400	350	−10	450	460	470	+70	+60
Adjustments*	−260	−250	−250	−300	−40	−250	−250	−260	0	0
Total	105,000	109,200	113,000	108,100	+3,000	112,500	115,500	118,600	+2,900	+2,500

* Double counting of agricultural spending in Scotland and Wales which is also included in the totals for Domestic Agriculture, Fisheries and Food and IBAP etc.

Continued from Page 19

Fall in inflation seen next year

diture may rise by some 4 per cent in 1986.

Households' investment in dwellings may also grow quite strongly next year. Private housing starts have been running more than 5 per cent above last year's average in the last two quarters and also above completions. Despite the level of real interest rates, demand for mortgages has remained quite strong in 1985. The rising stock of dwellings under construction should be reflected in the figures for investment in new dwellings during 1986. Expenditure on repairs, maintenance and improvements of dwellings is also likely to reflect the growth in personal incomes.

Company incomes have grown very strongly since 1981. Between 1981 and 1984, profits of industrial and commercial companies (ICC's) net of stock appreciation and excluding North Sea oil companies, rose by almost 70 per cent, and the rate of return on assets of these companies rose from under 3½ per cent to 6½ per cent. Between the first half of 1984 and the first half of 1985 profits rose by about a quarter (excluding British Telecom's profits which were included in the ICC's figures from November 28 1984).

Company spending (on fixed investment and stocks taken together) has also risen in the last two years, but has not kept up with the growth in income. Industrial and commercial companies, excluding North Sea oil companies, are estimated to have run a financial surplus of some £4½bn in 1984, with a further surplus of perhaps some £3½m in the first half of 1985.

Business investment — adjusted for privatisation and excluding North Sea companies —was some 15 per cent higher in the first half of 1985 than in the same period of 1984: the first quarter figure was boosted by some bringing forward of expenditure before the reduction in capital allowances at the beginning of April. For 1985 as a whole, business investment will probably be 7-8 per cent higher than in 1984—close to the rate suggested by the June DTI intentions survey. For 1986, the strength of the recovery in profits, the buoyancy of the stock market and the generally healthy state of company liquidity all point to a further rise in business investmen; though the indications are that it will not be as large a rise as seen in 1984 and 1985.

Public investment is expected to fall slightly in 1985 and may rise a little in 1986. Fixed investment (in real terms) for the economy as a whole may rise by 4 per cent in 1985 and 3½ per cent next year.

In recent years both manufacturers and distributors have been reducing the volume of stocks relative to the level of their business. Important influences have been changes in inflation, interest rates and in the tax treatment of stocks. In particular the abolition of stock relief announced in the 1984 Budget has contributed to the recent fall in stock ratios, and may not yet have had its full impact. The stockbuilding figures for the whole economy also reflect the rundown of coal stocks during the coal strike. With recovery of production in the coal industry and some attenuation of the fall in the stock ratio in industry generally, there may be some limited additions to stocks in 1986. The change in stockbuilding may be equivalent to almost ½ per cent on GDP growth in 1986.

Overall the economy is forecast to grow at close to the average rate of the last two years. Almost without exception, forecasters have failed to predict the strength and durability of the current upswing. Against the background of falling inflation, rising profits and recent strength in investment, further steady expansion of the economy is expected.

Following growth forecast at 3½ per cent in 1985, the forecast is for about 3 per cent in 1986. (See Table 1.5). The profile of growth reflects in part the effect of the coal strike and the growth in oil output. Table 1.6 shows the forecast growth rate adjusted for the effects of the coal strike. Oil output may be a little lower in 1985 than forecast at the time of the Budget, but may not change much between 1985 and 1986. On this basis growth in non-oil GDP is expected to be roughly the same as total GDP growth in both 1985 and 1986. Between 1983 and 1986 manufacturing output is expected to grow at a rate close to that of GDP.

PRODUCTIVITY AND THE LABOUR MARKET

In the year to the end of the second quarter of 1985, the employed labour force in Great Britain is estimated to have risen by some 260,000, bringing the total increase in jobs since the first quarter of 1983 to 677,000. Growth of total employment over the most recent 12 months appears to have slowed down as compared with the previous year; but, as Table 1.7 makes clear, all of this slowdown is attributable to a deceleration assumed in the numbers in self employment. Survey data on self employment is available only up to mid-1984. Thereafter, growth in self-employment has been projected at the average rate of the previous three years (126,000 a year) which is lower than the recorded rate of growth between mid-1983 and mid-1984.

The increase in the number of employees has been accounted for by women in part time jobs, partly reflecting the industrial composition of the changes in employment. The number of employees in employment in manufacturing, construction, and energy and water supply—industries in which on average about three quarters of employees are male—continued to fall over the last year, by some 100,000; while the number of employees in distribution, hotels, catering and repairs—where male employees are in a minority—rose by some 120,000.

Productivity growth in manufacturing appears to have slowed down somewhat over the last year, subject to revisions to the current estimate of manufacturing output. However, even over the last year growth in manufacturing productivity has been close to the average rate recorded in the sixties, and well above the rate of growth achieved between 1973 and 1979. Table 1.8 shows output per head in manufacturing and non-manufacturing. The relatively low growth in recent years in output per head in non-manufacturing in part reflects the rise in part-time employment.

In the year to April, unemployment rose by just over 160,000 (seasonally adjusted, excluding school leavers). Since April, on this basis, unemployment has stopped rising. The bulk of the improvement seems to be a response to the higher activity of recent years.

Tax and estimates of effects on revenue

A STATEMENT by the Treasury after the Chancellor sat down said:

The tables below show various illustrative tax chenges and estimates of their direct revenue effects. Estimates are given of the effect on tax-payers' liabilities (full year effect) and of the effect on receipts of tax in 1986-87 (first year effect).

The effect of tax changea depends on economic variables, such as prices, earnings and consumer expenditure. The estimates shown are consistent with the economic forecast given in Part 1.

An illustrative rate of inflation of 5¼ per cent has been used to show the effects of indexation and revalorisation. This is in line with the annual rate of increase in the RPI forecast for the fourth quarter of 1985.

The tables show estimates of the direct effects of tax changes. In practice, tax changea will themselves affect economic variables, which in turn will have further effecta on tax yields and on the PSBR. The estimated direct effect is not, therefore, the same as the effect on the PSBR. The approach used bere to estimate the direct effect of tax changes is explained in note (a) to Table 4.2 of the Financial Statement and Budget Report published in March 1985.

INDEXATION OF ALLOWANCES, THRESHOLDS AND BANDS FOR 1986-87

Tables 4.1 to 4.3 show tax allowances, thresholds, and bands for 1986-87 after 5¼ per cent indexation. Rounding followa the rules laid down in the 1980 Finance Act for income tax and the 1982 Finance Act for capital transfer tax and capital gains tax. Estimates of the revenue effects of these changes are shown in Teble 4.4.

DIRECT REVENUE EFFECTS OF ILLUSTRATIVE CHANGES IN INCOME TAX AND CORPORATION TAX

Table 4.5 shows estimates of the direct revenue effects of illustrative changes in income tax and corporation tax. For income tax allowances and thresholds, these assume that the previous year's levels bave been indexed. The estimates show the additional cost of making each change on top of indexation.

Estimated revenue effects are rounded, generally to the nearest £1m or £5m. It should not be assumed, bowever, that they are accurate to this degree.

Effects of other sizes of tax changes can be estimated by assuming linearity over a reasonably wide range. For example, the cost or yield of a change in an allowance of £200 will be approximately twice the level for £100. The cost of increasing higher rata thresholds, however, is less linear; the extra costs tend to reduce as the thresholds rise. For this reason, effects are given for both 1 per cent and 10 per cent changes in higher rate thresholds and for both increasing and decreasing thresholds.

The total cost of a group or package of income tax allownnce changes can be broadly assessed by adding together the revenue effects for each change. However, if allowances are increased substantially and combined with a rednction in basic or higher rates, the effects of the rate reductions will be reduced.

INDIRECT TAXES

Figures for changes in excise duties (Table 4.6) are sbown in two sections. The first shows the extra revenue from the individual duties if they were to be increased by exactly 5¼ per cent, together with the price increase that would result (after allowing for consequential VAT). The second shows the revenue yield from changing current levels of duty so that (after VAT) the price of a typical item la changed by the amount shown.

Table 4.7 sbows the revenue effects of a 1 percentage point change in the rate of VAT.

Within limits the illustrative changes for specific duties shown here can be scaled np or down to give a reasonable guide to the revenue effects. However, with large changes the margins of uncertainty surrounding the effects on sales and bence on revenue become progressively larger, and scaled estimates will be less reliable.

TABLE 4.1

Income tax

	1985-86 £	1986-87 £
Allowances		
Single and wife's earned income allowance	2,205	2,335
Married allowance	3,455	3,655
Additional personel and widow's bereavement allowance	1,250	1,320
Single age allowance	2,690	2,840
Married age allowance	4,255	4,495
Aged income limit	8,800	9,300

Income tax rates per cent	Bands of taxable income 1985-86 £	1986-87 £
30	0-16,200	0-17,100
40	16,201-19,200	17,101-20,300
45	19,201-24,400	20,301-25,800
50	24,401-32,300	25,801-34,200
55	32,301-40,200	34,201-42,600
60	over 40,200	over 42,600

TABLE 4.2

Capital Transfer Tax

Rate on death per cent	Life-time rate per cent	Bands of chargeable value 1985-86 £000	1986-87 £000
Nil	Nil	0- 67	0- 71
30	15	67- 89	71- 94
35	17½	89-122	94-129
40	20	122-155	129-164
45	22½	155-194	164-205
50	25	194-243	205-257
55	27½	243-299	257-316
60	30	over 299	over 316

TABLE 4.4

Costs of indexation

£m at forecast 1986-87 prices, incomes and capital values

	First year cost £	Full year cost £
Indexation of income tax allowances and thresholds	1,115	1,425
of which:		
Increases in main personal allowances	1,000	1,245
Increase in the basic rate limit*	75	95
Increases in further higher rate thresholds*	40	85
Indexation of capital transfer tax thresbolds and bands	15	45
Indexation of capital gains exempt amounts	Nil	10

* Additional costs after previous changes have been introduced.

TABLE 4.5

Direct effects of illustrative changes in Income Tax and Corporation Tax

	£m at forecast 1986-87 income levels First year cost/yield	Full year cost/yield
Income Tax†		
Rates		
Change basic rate by 1p‡	1,125	1,200
Change all higher rates by 1p	50	105
Personal Allowances		
Change single and wife's earned incoma allowance by £100	290	360
Change married allowance by £100	260	320
Change single age allowance by £100	25	31
Change married age allowaoce by £100	20	25
Change eged locome limit by £200	3	4
Change all main personal allowances by per cent	175	215
Change all main persooal allowances by 10 per cent:		
increase (cost)	1,675	2,075
decrease (yield)	1,725	2,150
Higher Rate Thresbolds		
Change all higher rate thresbolds by 1 per cent:		
iocrease (cosl)	16	29
decrease (yield)	17	30
Change all higher rate thresholds by 10 per cent:		
increase (cost)	145	265
decrease (yield)	190	335
Allowances and Thresholds		
Change all main personal allowances and higher rate thresholds by 1 per cent	190	245
Change ell main persooal allowances and higher rate thresholds by 10 per ceot:		
increase (cost)	1,800	2,325
decrease (yield)	1,950	2,500
Corporation Tax§		
Change full rate by 1 perceotage poiot	180	310
Change small companies' rate by 1 percentage point¶	16	30

* The estimated revenue effects of changes in the basic rate of income tax and in the main personal allowances of 10 per cent are rounded to the nearest £25m; other effects over £50m are rounded to the nearest £5m; effects of less than £50m are rounded to the nearest £1m.
† Changes are from the indexed levels of allowances and thresholds shown in table 4.1. Percentage changes are, however, of 1985-86 levels.
‡ Including the effect of the change on receipts of Advance Corporation Tax and on consequent liability to Mainstream Corporation Tax.
§ Assessment to Corporation Tax normally relates to the preceding year. These are, therefore, the changes to revenue that would occur if the changed rates were applied to forecast 1985-86 income levels.
¶ These figures ignore any possible associated changes in the imputation system.

TABLE 4.3

Capital Gains Tax

	1985-86 £	1986-87 £
Annual exempt amount		
Individuals	5,900	6,300
Trusts	2,950	3,150

TABLE 4.6

Revenue effects of indirect tax changes

(£m at forecast 1986-87 price and income levels)

Indirect taxes	5¼% Revalorisation*: Current level of duty on typical item	Price change inc VAT† pence	Full year yield‡ £m	Unit changes from present levels of duty: Price change inc. VAT	Actual percentage change in duty %	Full year yield/cost £m
Beer (pint)	18.6p	1.2	95	1p	4.7	80
Wine (bottle of table wine 70 cl)	68.6p	4.3	30	1p	1.3	7
Spirits (bottle)	£4.73	29.9	40	10p	1.8	15
Tobacco (20 kingsize cigarettes)§	82.7p	4.5	140	1p	1.2	35
Petrol (gallon)	81.6p	5.2	280	1p	1.1	55
Derv (gallon)	68.9p	4.4	65	1p	1.3	15
VED (cars and light vans)	£100.00	£5.50	110	£1.00	1.0	20

* An "across the board" revalorisation by 5¼ per cent (including the minor duties not shown above) would yield about £785m in a full year, and the impact on the RPI would be to raise it by less than ½ per cent.
† VAT is payable in addition to the duty except in the case of VED.
‡ Assuming for illustrative purposes implementation on 1 April, the first and full year yield of changes in excise duties would be identical for VED; for beer and tobacco the first year yield would be approximately eleven twelfths of the full year yield; and for wine and spirits, petrol and derv, it would be approximately twenty-three twenty-fourths.
§ The duty on cigarettes has ad valorem and specific elements: the percentage change relates only to the specific element, but the price change includes the subsequent increase in ad valorem duty and VAT.

TABLE 4.7

VAT

	First year* yield/cost	Full year yield/cost
1% change in rate of VAT	675	925

* Assuming implementation on 1 April.

Continued from Page 20

Roads and housing: priorities

Department on the environment and the heritege. These additions are more than offset by an Increase in new towns capital receipts. The Government is reviewing the level and effectiveness of assistance for the inner cities. Meanwhile, provision for the urban programme remains uncbanged.

The net increase is mainly for local authority expenditure on police, probation and megistrates' courts. Additional provision bas been made for spending on tbe prison service, reflecting the growth in the number of prisoners and the increased costs of the prison building programme; on immigration control and on the fight against drugs.

The revised figures reflect the Increased costs of legal aid and its administration by the Law Society.

Provision for the Health Service has been Increased above the level described in Cmnd 9428, by £250m in 1986-87 and by £300m in 1987-88. Health authorities' cost improvement programmes are expected to grow sbove the estimated £150m they plan to achieve in 1985-86. From within the total additional resources in 1986-87, health anthorities will be expected to meet pay and price increases, to provide for more old people and to improve services. Planned provision for the Family Practitioner Services has been increased to allow for expected levels of demand; some charges will be raised. Provision for personal social services has also been Increased.

The provision reflects the latest estimates of benefit expenditure over the Survey period, and allows for upratings of benefits in July 1986, April 1987 and April 1988, on the basis of the assumed rise in prices over the relevant periods. The main policy changes will be those flowing from the Social Security Review on which a White Paper will be published shortly. The provision for 1987-88 and 1988-89 is accordingly subject to adjustment in the light of decisions yet to be taken on thet Review.

For the purpose of these estimetes, it has been assumed that the RPI will rise by 1 per cent between May 1985 and January 1986, by a further 2¼ per cent by September 1986 and by 3¼ per cent in the year to September 1987. The actual upratings of individual benefits will be announced when the relevant RPI figures are known.

The net changes in these programmes in part reflect changes in comparable programmes in England. The Secretaries of State bave discretion to allocate this expenditure taking account of local factors. The Scottish provision for 1986-87 also includes around £150m for capital spending by the South of Scotland Electricity Board on the Torness Power Station.

NATIONALISED INDUSTRIES

External Financing Limits (EFLs) for nationalised industries in 1986-87 are set out in Table 2.3. Overall, there is an increase from provision in Cmnd 9428 of £450m in expected external financing requirements. This reflects a number of changes but is primarily the result of additional requirements for the National Coal Board and the Electricity Supply Industry. Table 2.2A shows nationalised industry external finance that is included in Departments' plans. Some overall reduction is expected in 1987-88 and 1988-89 compared to 1986-87.

LOCAL AUTHORITIES

In 1985-86 local anthorities in Great Britain have budgeted to exceed Cmnd 9428 provision for current expenditure relevant for Rate Support Grant by around £1bn. For 1986-87 the Government has increased provision by nearly £600m to £25.6bn.

For 1986-87, eggregate exchequer grant to local authorities has been set at the same level in England as in 1985-86 (before holdbeck and penalties), with small increases in Scotland and Wales. In England and Wales the Government has announced that it will no longer set expenditure targets. It will be using tougher block grant mechanisms to encourage restraint in expenditure. In Scotland the system of guidelines and penalties will he retained.

No decision has been taken on provision for 1987-88 and 1988-89. The figures for those years shown in Table 2.2B and included in departmental totals in Table 2.2 therefore repeat those for 1986-87. They will be reconsidered in the 1986 Survey in the light of local authorities budgets for 1986-87 and other factors. Account has been taken of this in setting the level of the Reserves.

Local authority capital expenditure is inclnded within the totals for departmental expenditure in Table 2.2 and Table 2.2C. For 1985-86, local anthority capital spending is forecast to be £3.7bn and exceed Cmnd 9428 provision by some £600m, but the position remains uncertain. Plans for spending in 1986-87 and 1987-88 have been increased to £3.7bn and £3.9bn and the new figure for 1988-89 is £4bn. This means that spending will continne at or ebove the level of the forecast outturn for 1985-86.

RESERVES

The plans include Reserves of £4½bn in 1986-87, £6½bn in 1987-88 and £8bn in 1988-89. The Reserves will be available to meet contingencies not covered elsewhere in the plans, including estimating changes.

PRIVATISATION

Net proceeds from privatisation are estimated to increase to £4¾bn in each of the three years, reflecting an expansion of the Government'a programme. Receipts from the sala of British Gas Corporation are now included.

NI earnings limit raised to £285

AFTER the Chancellor sat down the Treasury issued the following statement:

The Secretary of State for Social Services has conducted his annual review of national insurance contributions, as required by the provisions of the Social Security Act 1975. Full details are set oot in the statement made by the Secretary of State in connection with the necessary order, laid on November 12, 1985 with an accompanying report by the Government Actuary. The main proposals are as follows:

—The Class 1 insurance rates for employers and employees should remain unchanged for 1986-87.

—The lower earnings limit sbould be uprated, from April 1986, from the present level of £35.50 a week to £38 a week in line with the single rate retirement pension.

—The upper earnings limit should be correspondingly increased from £265 a week to £285 a week.

—The earnings limits for the reduced rate brackets should be similarly uprated from £55, £90 and £130 a week to 60, £95 and £140 a week.

In accordance with normal practice, the Government Actuary has been provided with working assumptions for use in preparing his report. These assumptions, which are not forecasts or predictions, are summarised in his report and include the following:

—The number of unemployed (GB, excluding school leavers etc) everages 3.05m in 1985-86 and 3m in 1986-87. (3m has also been assumed for 1987-88 and 1988-89 in the estimates of social security spending shown in Part 2.)

TABLE 2.1

Estimated total payments by employers and employees of National Insurance contributions in 1985-86 and 1986-87(*)

Great Britain (£m)	Employers	Employees	Total
National insurance contributions			
1985-86†	11,420	10,670	22,090
1986-87	12,110	11,460	23,570
Total change	+690	+790	+1,480
of which:			
Change in contributions from increased earnings, etc.‡	+900	+870	+1,770
Change in contributions from full year effect of 1985 Budget measures§	−50	−170	−220
Change in contributions from increase in earnings limits	−160	+90	−70

* Figures are rounded to the nearest £10m. Detailed figures for national insurance contributions are included in the Government Actuary's report on the draft of the Social Security (Contributions, Re-rating) Order 1985. As in previous years, figures in this table are on a receipts basis excluding self employed and voluntary contributions. Figures include NHS and Employment Protection Allocation contributions. Employers' contributions are net of deductions in respect of statutory sick pay.
† Excludes £30m national insurance surcharge receipts, paid in respect of liabilities which accrued in the tax year 1984-85.
‡ Including population and employment changes.
§ The difference between the full year effect of the measures in 1986-87 and the part year effect in 1985-86.

ENERGY

Reassurance for electricity and gas consumers

ONCE AGAIN the Treasury has succeeded in squeezing another sizeable pound of flesb out of the electricity industry.

The negative external financial limit (EFL) for the industry in England and Weles, its contribution to the Exchequer, bas been raised to £1.42bn in 1986-87 from £1.13bn in the current financiel year and £746m in 1984-85.

But its financial return target remains unchanged et 2.75 per cent, and officials both within the industry itself and in Whitehall were yesterday anxious to douse suggestions that this would lead to abnormal increases in electricity prices.

"The industry has said that we would hope to keep any increase to the rate of inflation," said one official. "Prices are affected by the financial targets rather than the EFL.

"There ere no alarmist implications for either gas or electricity prices in the autumn statement," said a Government official. "Of course, the electricity industry was asking for more money than it got. That'a not unusual. But it has not got to the point of applying pressure to consumers."

Officially, the electricity industry bas not yet begun the process of fixing its prices for 1986-87.

It was not immediately clear how the electricity industry would find the money to make np the substantially-increased negative EFL in the next financial year, particularly after the heavy costs it incurred during the miners' strike.

One industry executive suggested that the present steady rise in sales would help. The costs of the pit strike bed been met exclusively through borrowing, with no additional affect on prices.

But it seems likely that the increased contribution which electricity is expected to make will have some impact on its investment plans.

"The money will be found by looking carefully where they need to make adjustments," said en official. "We are confident that the industry will be able to meet it (the EFFL)."

One factor that is likely to prove of assistance is the delay in starting construction of the Central Electricity Generating Board's planned pressurised water reactor at Sizewell on the Suffolk coast.

Work on this is being beld up by the lengthy detiberetions of the public inquiry into the project under Sir Frank Layfield. Sir Frank concluded his bearings earlier this year but has yet to report to the Government.

"The CEGB's original start-up date is clearly unrealistic now," said o Government official. But officials insist that the Sizewell project is being delayed by the inquiry rather then by financial constraints.

As far as ges prices ere concerned, the picture is clouded by the impending privatisation of British Gas. Because that event will take place during the financial year in question, no negative EFL for the corporation was included yesterday.

Again, despite corlier suggestiona thet a hefty rise in gas prices was being considered as a pre-privatisation sweetener for British Gas, the line in Whitehall was clear: "There is no reason to expect higher prices because of privatisation."

Andrew Gowers

FOREIGN AID

More funds for three years

AFRICA and British companies involved in overseas development projects, will be the main beneficiaries of the Government's decision to provide more funds for foreign aid over the next three years.

The Overseas Development Administration will receive 5 per cent more in the 1986-87 programme, enabling it to keep just ahead of inflation, which the Treasury forecasts will run at 4.5 per cent next year.

The increase, of £57m over the current year's allocation of £1.13bn, and similar percentage increases in the following two years, will enable Britain to maintain its foreign aid programme et the 1985-86 level in real terms.

Mr Timothy Raison, the Overseas Development Administration Minister, said that the increased allocation was the result of the publicity over the African famines. He seid that the ODA would be spending "a substantial amount" on Africa.

Apart from agricultural assistance, the British effort would be directed at improving the administration in African countries.

British companies will also benefit from additional funds. Some of the extra money will be used to increase the Aid Trade Provision within the aid programme to help fund a new soft loan facility. ATP funds will be used to assist the developing countries by lowering their interest payments on long-term loans from the private banking sector.

The new soft loan facility will complement the existing mixed credit facility by which ATP grant funds are used in association with export credits.

According to the ODA, "the soft loan facility should enable British companies to double by 1988-89 the exports won each yeor through ATP support."

The funds will be used to finance development projecta agreed between the British and the recipient government, and will be dependent upon the contract being awarded to a British company.

ATP funds will be made available as regular payments over the life of the loens provided by the banks, to reduce the interest which the developing countries would otherwise bave to pay.

The additional moneys should help the British in the current mixed credit wer which is being waged for development contracts, officials said.

The costs to the aid programme will be spreed over many years. They will be £3m, £10m and £20m respectively during the period 1986-87 to 1988-89.

David Lennon

EDUCATION

Stern message from the Treasury

STATE EDUCATION is offered precious little, except the stern message that it will bave to make do with falling real resources.

The local authorities responsible for most educational spending in England and Wales bave been allocated a total of £10.8bn Treasury money for recurrent expenditure in 1986-1987—a rise of £210m or 5.8 per cent on the total provided by the January White Paper.

But even the increased sum is about £500m less than the English and Welsb local education authorities bave said they need to spend on schools, colleges and polytechnics next year.

The many authorities which beve complained about the need to replace, let alone repair, dilapidated education buildings will see only gloom in the 1986-87 allocation from central government towards their capital investment. The total allocation of £294m compares with £315m for 1985-86.

Moreover, unless the local education authorities get the teachers' unions to egree on changes in job conditions as part of the settlement of the long dispute over the teachers' 1985 pay rise, the central government contribution to recurrent spending will provide for a rise of only about 5 per cent.

The universities' grant for recurrent spending in the 1985-86 academic year remains at the White Paper figure of £1.3bn—representing a decline in real terms of about 1.6 per cent from the previous yeer.

On the other hand, the money to be provided for improving research equipment in selected universities has been raised from £7m in each of the 1986-87 and 1987-88 financial years to £10m, with a further previously unscheduled sum of £10m in 1988-89.

In addition, £1m is earmerked in 1986-87 and another £2m in eech of the next two years for developing computer links between about 80 bigher educational institutions. About £500,000 a year will also be supplied to provide an extra 25 fellowships annually in humanities and social studies.

The science budget for the research councils has been increased by £15m to a totel of £614m in 1986-87, and increeses of £15m above previously planned figures have been scheduled for 1987-88 and for 1988-89.

Michael Dixon

WATER CHARGES

Rise of up to 8% likely

WATER PRICES are expected to rise next year by an average of 7 to 8 per cent—well above the rate of inflation—following the public spending review, and they are likely to increase ahead of inflation for some years to come.

Mr Kenneth Baker, Environment Secretary, was forced to concede the increase because of the Treasury's continuing insistence thet the water industry should raise its return on capital.

The original decision, taken a year ago, to oblige the 10 water anthorities in England and Weles to generate more money and repay loans ahead of schedule, created a furious row as it meant lifting tariffs by an average 10 per cent compared with much lower increases favoured by the authorities.

The Treasury case for increases well in advance of inflation is that the more money the authorities make, the less they will bave to borrow from the Government, and tha more the public sector borrowing requirement will be pegged down. Tha aim ia also to make tha water anthorities self-financing as quickly as possible.

Talks will take place over the next few weeks between the Department of the Environmnt end the water authorities to decide the scale of the increases, which could vary from region to region.

The external financing limit for the water authorities and waterways board in England and Wales in 1986-87 is £138m, compared with £213m in the current year, e fall of £75m.

The water euthoritiea cannot use the extra money they raise from higher charges to increase their own investment, but only to meet the Government'a financial targets. They therefore regard t beGovernment's tactics as amounting to a tax on weter.

Richard Evans

REACTIONS

City wary, industry unhappy

THE CHANCELLOR'S statement received a cautious welcome in the City, but it was criticised by industry and the Labour Party and the tredes unions.

Optimistic forecasts for economic growth and inflation, following the Prime Minister's similarly upbeat speech at the Lord Mayor's banquet on Monday night, brought small late gains in both equity and gilt prices. The pound, however, received no boost.

The Financial Times Ordinary Index of 30 leading shares, which bad all but given up morning gains by eerly afternoon, recovered to finish 4.3 points higher at 1,074.6. Sterling finished at $1.4125, down from Monday's $1.4200, and fell 0.3 on its trade-weighted index to finish at 79.3.

Sir Terence Beckett, director-general of the Confederation of British Industry, said: "There is little in the Chancellor'a antumn package for indstry. Mr Lawson will be judged on bow quickly be can get interest rates down and by the shape of his spring Budget."

Mr Roy Hattersley, the shadow Chancellor, said public spending increase were infinitesimal. The Chancellor is simply interested in electoral manipuletion. He is sellin off assets to finance tax cuts. What we have seen is the most transparent attempt to buy voes that we have seen in this century."

Although the City generally shares Mr Lawson's belief in continued economic growth and lower inflation, economists viewed many of Mr Lawson's specific estimates of economic performance as too optimistic. They see the thrust of Government policy as becoming more expansionary and indicating that there is little room for declines in interest rates.

Economists believe, however, that Mr Lawson bas probably built into his figures the scope to annoonce about £2bn of tax cuts in next year's Budget. Capel Cure Myers, after running the statement through what it says is the Treasury model, estimated tax cuts of £2½bn.

Alexander Nicoll

UK NEWS – THE ECONOMIC STATEMENT

New motto: not by asset sales alone

IT WAS always unlikely that the Treasury would walk into the trap of claiming to hold public spending back by assets sales alone. If there was any sucb chance it was aborted by tbe brokers' circulars and Opposition speeches which gave emple warning of this line of attack. The result is that the Autumn Statement contalns a table of public spending exclod-iog privetisation.

The pressure needs to be kept up so lbat the Public Sector Borrowing Requirement to be published in tbe Budget next spring is also given net of assets sales.

Unfortunately, the slight clarificetion of acrounts does very little to establish the truc principles of fiscal and monetary policy on wbich economic opinion remains as divided as ever.

Meanwbile, we know that thc PSBR for the current financial year is more likely to be £8bn than the £7bn originally estl-mated thanks to the effect of a rising exchange rate against the dollar on the sterling value of oil revenucs. This reduces the srope for tax cuts — not for mechanistic accounting reasona but beause personal spendlng power is being boosted by lower prices for oil and imports.

One key point emerging from the Autumn Statement is that the unexpected accelera-tion of inflation earlier this year has reduced public spend-ing in real terms. Expenditure is now planned in cash and the rising prices have reduced its real value by more than 1 per cent in 1985-86 compared with the previous financial year.

But any hopes the Treasury may have bad of putting a per-manent sqoeeze on spending by cash planning have been dashed by the outcome of this year's Star Chamber. The spending departments have gained enough to make up in 1986-87 and future years most or all of the ground lost by inflation.

Thus the Government's hope of redncing the burden of public spending depends very much on stabilising it ln real terms and hoping thet economic growth will gradually reduce this total as a proportion of the national income and thereby make room for tax cuts.

It *must, however,* be aaid thet even this bolding operation is en ambition for the future never achieved in earlier Thatcher years. As tbe table shows, it was only in 1980-81 tbat the Government came near to atabilising public spending in real terms. The reduction in the contingency reserve from £6bn originally planned for 1986-87 to £4.5bn may be explained by the normal hebit of reducing the reserve as the period to which it applies approaches and spending is allocated in more detail. But we have not seen the back of the spending pressures.

Perhaps the most important part of the Statement is in the plans outlined for the longer term. Of course the apendlng departments will not respect them and argue for increases. But at least it establishes the base line from which the Treasury will be fighting.

TABLE 2.4

Public spending*

	Planning total (£bn) Cash	Real terms† (base year 1984-85)	General government expenditure as % of GDP
1978-79	65.7	117.4	42
1979-80	78.0	119.1	44
1980-81	93.1	119.8	46
1981-82	104.6	122.2	46
1982-83	113.9	124.4	47
1983-84	121.5	126.9	46
1984-85	131.8	131.8	46
1985-86	136.7	130.2	45
1986-87	143.9	131.1	44
1987-88	148.7	130.9	43
1988-89	153.5	131.2	42

* Excludes special sales of assets.
† Cash figures adjusted for general inflation as measured by the GDP deflator at market prices—base year 1984-85. The GDP deflator is assumed to increase by soms 5 per cent in 1985-86, and by $4\frac{1}{2}$, $3\frac{1}{2}$ and 3 per cent respectively in the years 1986-87 to 1988/89.

The Treasury will regard the cash increases for next year to catch up with past inflation as once-for-all. From then on it will expect departments to return to the previously agreed path. As my French primer used to say: *Qui vivra verra.*

The Autumn Statement pre-dicts $3\frac{3}{4}$ per cent inflation by the end of 1986. The trouble with this forecast is not that it is optimistic, but that it con-tains temporary elements, such as the depressing effects on import prices of the recent rise in the pound, and the com-modity slump.

A much better guide to the inflation trend is the estimate for the GDP deflator, which ex-cludes import prices. This is pnt at $4\frac{1}{2}$ per cent in 1986-87, falling slowly to 3 per cent by 1988-89. If this is all that is meant by talk about "zero inflation" there is no need for those of us with different prorities to get too hot under the collar.

The 3 per cent real growth forecast for next year is, bow-ever, somewhat misleading. In the Treasury's view, coal strike distortions will even then be affecting the figures. Adjusted for the strike, the predicted growth of output is on a slightly falling trend: $3\frac{1}{2}$ per cent in 1984, 3 per cent in 1985, and $2\frac{1}{2}$ *per cent in 1986.* This is a mixture of the recovery having passed its peak and a slightly declining contribution from North Sea output.

My own view is that Treasury growth fore casts are under-estimates not over-estimates. The revisions made by tha Central Statistical Office have the effect of raising growth rates by nearly 1 per cent over the figures initially published; and I have explained in Erono-mic Viewpoint last week why official estimates for manufac-turing productivity growth may be much too low. But only those mesmerised by Wilsonian international growth leagues will think these matters worth a cheer.

People will not throw their hats into the air because a state of affairs, exactly similar ln every respect, is retrospectively relabelled by the statisticians $3\frac{1}{2}$ per cent growth rather than $2\frac{1}{2}$ per cent.

Much more serious is the fact that this growth is being achieved by economising on labour, which is no longer a scarce factor of production at current pay rates. So-called productivity deals represent either pay rates which are too high or a labour-saving culture which is e lagged response to excessive pay and other labour market difficulties of some years back.

It is good news that some pilot projects are to be started to encourage long-term un-*employed willing* to work *for* modest pay.

"Special measures" are, bowever, only better than nothing. The very slight down-ward trend in unemployment between this and the next financial year assumed by the Government Actuary would not be there without these meas-ures.

Tha genuine and underlying recovery will ba bere only when unemployment is on a falling trend, counting only those in normal jobs.

This improvement is being delayed by the refusal of the industrial establishments, in-cluding evan Lord Young, the Employment Minister, to take on board seriously the pay and jobs link.

City analysts will, however, be more concerned with the expected drop in the growth of exports relative to imports, even though this will be more than made up for by the improvements in the terms of trade already in the pipeline.

Given a *properly functioning* labour market and/or a floating exchange rete, tha balance of payments will look after itself.

Samuel Brittan

HOUSING

Baker puts gloss on repair provisions, despite report

IT WAS a polished perform-ance. In announcing that more money was to be spent on the repair of council bouses and flats, Mr Kenneth Baker, the Environment Secretary, yester-day put the best gloss on the impact of the eutumn statement on the housing sector.

He stressed that greater private sector involvement, a continued shift in local autho-rity emphasis away from new buildings to renovation, ond concentration on the special problems of inner cities were all needed.

And, as for tha increase in the housing programme by an extra £220m in 1986-87 and by £200m the following year, he said: "I am very pleased." It was, nonetheless, well below the £600m be had been seeking for next year.

The extent of the country's council bousing problem was highlighted in the Environ-ment Department's report, pub-lisbed yesterday, which said that £18.8bn needed to be spent on repairs to local authority houses and flats in England.

The report's findings had earlier been used by Mr Baker as part of his argument to the Treasury and the Cabinet that more funds were needed for housing. The study said that 84 per cent of the country's 4.6m local authority dwellings needed repairs.

The extra funds sanctioned in the Chancellor's autumn state-ment yesterday will lift net spending on housing to £2.75bn next year (on both capital and current account) from the £2.53bn previously epproved. This will compare with a pro-vision of £2.28bn this year and an estimated actual out-turn of £2.7bn.

In 1987-88 and 1988-89, the spending provisions will be £2.83bn and £2.88bn. Mr Baker said most of the extra money would be for local euthorities to tackle "the problem of serious disrepair revealed by the report."

He said the extra money spent on renovation next year would exceed £300m as local authorities reordered their priorities from new building to repairs.

"It is a very nrgent and necessary priority to do this."

He and Mr John Patten, Hous-ing Minister, *also took* a ewipe ol local authorities for leaving council homes empty.

It was "an absolute scandal" that 112,000 flats and houses were unoccupied, many of them for over a year, said Mr Patten. It contributed to the rundown of the urban environment, lead-ing to greeter vandalism and crime.

Mr Patten also weighed into the heavy public housing pro-grammes of tbe 1960s and 1970s. "We are paying for the cost of speedy, gimcrack building of 15 and 20 years ego."

In the report, the molor problem of public housing decay was identified in bouses and flats built between 1945 and 1964. The spending zeal was put at just over £8bn compared witb £5.2bn for those con-atructed between the end of World War One and 1944 and £3.6bn for post-1964 buildings.

Local authorities had already carried out major repair work on dwellings put up before the mid-1940s, however. The high percentage of bouses built in 1945-64 needing work stemmed from the fact that few authori-ties had undertaken major pro-grammes on them.

Most of the money—at least £7bn—would be needed on structural and outside repairs. Work on heating, insulation, and anti-condensation measures would require further £4bn, the next mejor slice of over £3.5bn coming in modernisation of kitchens, bathrooms and toilets.

The £18.8bn total spending need compared with forecast actual expenditure of just over £1.1bn in 1985-86.

In the area of non-housing construction, the Chancellor allowed for a rise in spending on roads from £1.54bn to £1.75bn. This would allow the road building programme to be speeded up slightly, the Trans-port Department said.

The extra spending on hous-ing and health service build-ings provided for in the autumn statement received a cautious welcome from the Building Employers' Confederation. Real permanent jobs at the rate of 55,000 for every £500m invested in building would be created.

Andrew Fisher

EMPLOYMENT

Package to assist long-term jobless

AN INITIATIVE aimed at making low paid jobs more attractive to the long-term un-employed is to be leunched as part of o new employment package.

Unemployed people are some-times reluctant to surrender benefit payments in return for jobs which offer only modest rates of pay.

Under the new scheme—to start on e pilot basis in seven areas in January—long-term un-employed people wbo eccept jobs paying less than £80 per week gross will receive an additional £20 Job Start pay-ment fro mthe Government. This will last for six mooths.

The Government also plans to introduce—again on a pilot basis at first—interviews for all the UK's 1.3m people who had been unemployed for more than a year.

These are lntended to yleld information leading to jobs, community programme places or training—*including* a new two-week training course in basic working skills and job application techniqoes. The courses and interviews will be run by thc Manpower Services Commission.

These measures, announced yesterday, plus the develop-ment of existing schemes, mean that the Department of Employ-ment's overall financial provi-aion has lncreased by some £600m in each of the years 1986-87 and 1987-88 compared with last year's autumn state-ment.

Much of the increased expen-diture will finance next year's introduction of the two-year Youth Training Scheme and the propose dexpansion of the Com-munity Programme for the long-term adult unemployed to 100,000 pleces.

The Government is however planning to save more than £200m in a full ycar by curtail-ing the State's contribution to thc financing of redundancy payments.

Except for companies em-ploying fewer then 10 people, thc system of state redundancy support is to end and employers will be expected to meet the full cost of redundancy them-selves.

Ministers stressed yesterday that this would not affect employees' statutory right to redundancy payments. The Government's Redundancy Fund will still make provision in cases where an employer can-not pay.

There has been o reduction in the Government's share of statutory redundancy payments *over several* years and the *level* of state support now stands at 35 per cent of the statutory level of payment. Legislation will be needed to change the existing arrangements and the first full year of financial sav-ings will not come until 1987-88. The average redundancy pay-ment is about £1,500.

Several existing schemes aimed at encouraging the growth of employment and small businesses are to be extended under proposals an-nounced by Lord Young, Em-ployment Secretary, yesterday. These are:

- An increase from 65,000 to 80,000 places on the successful Enterprise Allowance Scheme which gives support to un-employed peopla starting up their own businesses. The quali-fying period of unemployment will be reduced from 13 to eight weeks and there will be an increased emphasis on train-ing and counselling.
- Up to £2.5m available in 1986-87 to belp the job creation and advisory work of local enterprise agencies.
- An extension until April 1986 of the Loan Guarantee Scheme, which had been dne to end next month. This scheme has already provided finance of more than £500m for small businesses.
- A 20 per cent increase in funds for the British Tourist Authority and English Tourist Board.

This means that an addi-tional £8m will back the Govern-ment's belief that tourism is strongly linked to job creation. It is *calculated* that 50,000 jobs e year are being created in the tourist sector.

Alan Pike

PRIVATISATION

Sell-off target raised to £4.75bn

THIS TIME last year the Government announced that it boped to sell £2.5bn of assets during 1985-86, £500m more than it had previously planned. It was emphasised in Whitehall that this did not mean tha Government was planning to accelerate assets sales in future and £2.2bn was pencilled in for 1986-87 and 1987-88.

However, a lot of public expenditure flows under the bridge in a year, and Mr Lawson yesterday raised his target for net proceeds from asset sales to £4.75bn for each of the *next three years. (These* figures do not incinde the sale of council houses, which are expected to realise £1.7bn in the current year and £1.6bn in 1986-87 for local authorities.)

The Government has alreedy moved to make such a large sale of assets more easily accommodated in the market by stopping its habit of over-funding through larger-than-necessary gilt sales. So the crop of 1985-86 assets will not be competing with repeated gilt issues for institutional investors.

The Government will get off tn an easy start towards its target because £1.2bn is guaran-teed early ln 1986-87 from the third and final payment of the British Telecom flotation, leav-ing about £3.5bn to find from other sales.

The major sale will he British Gas, provided the mounting controversy over the speed with which the Govern-ment is legislating for such e complex operation does not force it out of the 1986-87 time-table. If ell goes to plan the sale will be next autumn, with investors paying for their shares in three, or possibly four, instalments over three financial years in the same way as British Telecom was sold.

Assessments of British Gas'a potential market value vary between £6bn and £8bn with brokers Grievson Grant narrow-ing the gap to between £6.4bn and £7.8bn on a current cost net asset value of £12bn. British Gas will be sold in three, or possibly four, instalments, each yielding about £2bn.

There are several candidates from which the remaining £$1\frac{1}{2}$bn could be found in 1986-87, providing they are ready for market. The largest is British Airways. Now that the delays ceused by legal action lnvolving Sir Freddie Laker are ont of the way Britisb Airways could be ready for sale hy early next summer, if agreement can be reached about how best to cope with the large amount of debt in the balance sheet.

The Government hopes net proceeds from the sale will be abont £800m to £1bn.

The plan is to move as many eerospace ectivities as possible ont of the public sector in the next few yeers. The British Air-ports Authority is earmarked for sale to raise probably between £350m and £500m, although it is not clear whether lt will be sold next year or in 1987-88.

Similar doubts about timing surround two small but con-troversial sales—National Bus and the Royal Ordnance fac-tories, each of which might produce about £200m for the Governmeot.

The following year looks slightly less easy for the Government, assuming the equity market is still receptive to a further substantial round of offerings. About £2bn will be guaranteed in 1987-88 from the second instalment of British Gas payments. There could be £400m to £500m of proceeds from the sales which slip from 1986-87 to 1988, but the only new sale offering sub-stantial yields might be the water boards.

This would be e complicated procedure and some of the smaller boards do not look par-ticularly attractive profit pros-pects for investors. Thames, the largest and most profitable, might produce £500m or more for the Chancellor, but the other nine boards together might produce only about the same amaunt again.

Smaller sales in 1987-88 might now be expected to in-clude more eerospace flotations in the form of Short Brothers, yielding perbaps £100m, and the Rolls-Royce eero-engine menufacturer, for about £300m.

Thereafter, the assets cup-board looks a little bare, with coal and railways unlikely to be fit for sale and other new possibilities being either too complicated (electricity) or relatively small, such as Austin Rover, which might yield £200m.

However, the Chancellor should still be able to realise bis £4.75bn target in 1988-89 because of the large portions of partially sold industries which remain in the Govern-ment'a bands. In addition to the £2bn from the third instal-ment payment on British Gas, the Government could sell off, say, another £3bn of BP.

Robin Pauley

Lawson criticised for over-optimism

THE CHANCELLOR presented an up-beat assessment of the economic prospects for next year. While City economists did not disagree with the broed direction of key measures of ecooomic performance, they criticised many of his forecasts as over-optimistic.

Real growth in gross domestic product was forecast to be 3 per cent next year after a $3\frac{1}{2}$ per cent increase this year, with personal spending taking nver from exports and business in-vestment as the driving force behind the economy's expan-sion.

The Statement noted that "almost without exception, forecasters bave failed to pre-dict the strength and durability of the current upswing." Economists acknowledged that 3 per cent growth was conceiv-eble and shared the Govern-ment's belief that export growth would decline. But they felt official assumptions about con-sumer spending and investment next year wera too high.

The Chancellor forecast that *consumer spending would* rise 4 per cent next year, with increases in personal income particularly boosting sales of consumer durables. He estim-ated that fixed investment would rise 4 per cent, including business investment growth at 7 to 8 per cent.

Mr Lawson's prediction of a $3\frac{3}{4}$ per cent year-on-year infla-tion rate in fourth quarter 1986 also met City scepticism, though he did acknowledge that this quarter's inflation rate will be $5\frac{1}{2}$ per cent rather than the 5 *per cent forecast in the Budget.* Of the 1986 estimate, be said be was "the first to admit its inevitable fallibility."

Inflation is widely expected to drop to about 4 per cent by the second quarter of oext year, but the City diverges from the Chancellor in expecting that it will begin to pick up again by the end of the year. There are fears that unit labour costs, forecast by the Chancellor to continue growing at about 4 per cent next year, will eccelerate under the influence of declining productivity growth and faster wage rises.

The Chancellor predicted that the current account balance of payments surplus would rise to £4bn next year from £3bn this year. The forecast was also seen as being on the high aide, with economists seeing a less rosy picture fnr non-oil trade emid a generally predicted decline in oil prices and rising consumer spending.

The Treasury's forecasts assumed that unemployment ln Great Britain (excluding Northern Ireland) would be stable at 3.05m next ycar and would be 3m in 1987. Mr Law-son argued that unemployment had "levelled out," and that the prospect was for "some further improvement," assisted by measures in the 1985 Budget which would beve their main effect in 1986. "But that improvement could easily be put at risk by excessive pay settlements."

Alexander Nicoll

NATIONAL HEALTH

Fowler secures more cash

THE GOVERNMENT acknow-ledged that whatever the true state of the National Health Service many people believe that it has been under-funded in recent years.

Mr Norman Fowler, Social Services Secretary, has secured more cash for the NHS which, coupled with the extra provision allowed in this year's public expendi-ture White Paper, should ensure that at least the present level of provision can be maintained even if it can-not be improved much.

The White Paper allocated the NHS £14.8bn in 1986-87 and £15.4bn in 1987-88. Mr Lawson yesterday raised these figures by £250m and £300m respectively.

He also reminded health authorities that they can re-cycle into their services money saved by improved efficiency—which be expected to total £150m in the current year "and more in future years."

NHS costs are affected by special factors which have made maintenance of services within very tight cash limits almost impossible in recent years. They include the changing demographic profile such as the number of people over 75, expected to be 24 per cent higher in 1987 than in 1978.

These changes alone add 1 per cent to NHS costs every year over and above infla-tion.

A third of health authorities in England and Wales have deferred health service developments and about 10 per cent of them have had to cut services in order to save money and stay within the 1985-86 cash limits.

The White Paper figure for NHS costs in the current year is £14bn. The new moneys means this will be *increased* by 7 *per cent* next year rather than the 5.5 per cent planned. In 1987-88 the rise will be a further 4.5 per cent rather than the 4 per cent planned.

Robin Pauley

DEFENCE

Heseltine faces constraints

MR MICHAEL HESELTINE, the Defence Secretary, has set bis face firmly against a defence review but the autumn state-ment confirms that very tough constraints are being placed on defence spending for at least the next three years. There will be e decline in resl terms in the annual budgets between 1986-87 and 1988-89. The only doubt is on its extant.

Next year's budget, at £18.52bn, remains unchanged from last January's estimates—eignifying that Mr Heseltine both lost and gained in tbe "Star Chamber" skirmishes of the past few weeks.

The Defence Secretary had claimed that be should have an additional £300-£400m next yesr to take account of eervice and civilian pay awards, averag-ing 7 per cent, and for the effect of inflation which bas been higher than the planned 4 per cent.

The Treasury refuaed that rise—but bas not insisted on tha cuts, also amounting to £300-£400m, which they in turn originally demanded.

The net result for next year is likely to be a fall in the real value of defence budget of 1 per cent.

The defence *budgets* for for 1987-88 and 1988-89 are put at £18.82bn and £18.99bn.

According to the defence ministry this will be a decline in real terms of just over 1 per cent and 1.5 per cent.

However, the House of Commons Defence Committee has calculated that the actual decline in 1988-89 could be as high as 6 per cent for they believe the MoD's inflation assumptions (3.5 per cent and 3 per cent for 1987-88 and 1988-1989) will prove unrealistic, as *will* its so far unpublished assumptions on pay increases and exchange rates.

Mr Heseltine makes the point that defence spending has increased by a real 18 per cent between 1979-84. He hopes to mitigate the effect of leaner times ahead by bis drive to improve efficiency in defence contracting and by what is termed flexible planning.

It is widely acknowledged in the MoD that across-the-board savings must be made—the possibly bloody battle to deter-mine the three services budgets' for 1986-87 will dominate the next few weeks.

However, it is now clear that rather than cut a major defence role—such as John Nott, the then defence secretary, appeared to be doing in his ill-fated 1981 defence review—Michael Heseltine will indulge in what his service chiefs call salami slicing.

This will mean cutting back, delaying tha start or imple-mentation of major and minor projects, rather than cancelling them — though Mr Heseltine is said to nppose delaying actual payments for work done *by contractors* as *happened* in the disruptive run-up to the 1981 defence review.

None of this will be easy, as major projects like Trident, with its high dollar costs, come to a peak at the same time as new funds must be found for the European fighter air-craft and decisions taken on wbether to replace Britain'a emphibious landing ships.

The one bright spot perhaps is the planned decline in spend-ing on the Falklands; totalling £552m this year, it declines to £192m in 1988-9.

Bridget Bloom

CIVIL SERVANTS

Boost for Revenue and Customs jobs

AMONG the man*dates the* Conservative Government claimed wben it came to power in 1979 was one to cut the number of civil servants.

In terms of overall numbers, it has been remarkably success-ful. At the start of the Govern-ment's first term, there were 732,700 civil servants; now, there are 599,021. This is the first time since the Second World War that numbers have fallen below 600,000.

This process, however, has not been without reverses. The latest figures, disclosed last week, showed an increase in Department of Health and Sociel Security staff, for instance, mainly due to the prolonged computer atrike earlier in the year.

How successful the cuts have been in operational terms is debetable. The Rayner prun-ing exercise, changing particu-lar ways of working, may well have increased efficieocy. But the long litany of problems about *mounting* work difficul-ties in departments dealing directly with the puhlic might suggest that thc hacking back of numbers bas not been with-out operational costs.

Most notable, in terms of the force with which they have been presented, have been workload problems in both the Inland Revenue and the Customs and Excise depart-ment.

Both areas, highlighted by their main unions—the Inland Revenue Staff Federation and tha Society of Civil and Public Servants respectively — were rewarded in yesterday's state-ment. There will be 3,500 new jobs in the Revenue, and 473 in Customs.

The new jobs in the Revenue are specifically aimed at dealing with the backlog of work in the department—6.2m ltems await-ing attention last month. They are a deal with the IRSF, which has for its part agreed to lift its long-standing overtime ban.

This oction, in force since 1982, was designed to belp alleviate onemploymeot. The ban, now deemed to have suc-ceeded in *its* purpose, will be lifted for 12 months.

About 1,000 extra staff will eventually be added to the Customs' in-post targets, though a large part of these will come from internal efficiency savings. New jobs announced yesterday amount to 473; where they will go is a matter for the depart-ment.

Philip Bassett

SOCIAL SECURITY

Smallest pensions rise in years

PENSIONS and other social security benefits are expected to rise by only 1 per cent, eccording to Government figures published yesterday. In per-centage terms this will be the smallest annual increase for many years.

Following the usual rounding procedure a single person's pension due to rise to £38.30 a week in a fortnight's time would be increased by 40p, while a married couple'a pen-sion of £61.30 a week would be increased by around 60p.

On a 1 per cent uprating basis, it would hardly ba worth making e 7p increase on the weekly child benefit payment of £7—justifying recent rumours that child benefit paymeots is not likely to be increased next year.

The explanation for these tiny nicreases is that pensions and social security benefits are uprated once a year, in line with changes in the Retail Price Index. For tha past few years this has taken place in November and the next uprat-ing, dua on November 23, will raise benefits by 7 per cent.

However, the Government announced earlier this year that it woold make the uprating every April, at the start of the financial year. The change is being implemented in two stages—producing one nprating in July 1986 and the next in April 1987.

To implement the pension changes, the uprating bas to be hased on movements in the annuel RPI five months before the date of change.

The Choncellor yesterday forecast thst the RPI would be $5\frac{1}{2}$ per cent higber in the final quarter of 1985, compared with a year eerlier. The Government assumes that the same annual inflation rate will apply in January 1986, the point at which lt will determine the July 1986 benefits increase.

Despite this low increase in individual beoefits, expenditure on social security is forecast to rise from £40.04bn in 1985-86 to £41.65bn in 1986-87 and £43.66bo in 1987-88.

However, National Insurance Contribution rates will remain unchanged in 1986-87 for the third year running. Thus the standard rates remain at 9 per cent for employees and 10.45 per cent for employers, with the reduced rotes introduced last month for lower paid employees remaining et 5 per cent and 7 per cent for employees and 5 per cent, 7 per cent and 9 per cent for employers. The con-tracted-out rebate remains un-changed.

Eric Short

Post Office feels a little squeezed

SOME state industriea are feeling a little squeezed this morning: chief among them the Electricity Council and the Post Office. The National Coal Board is keeping its fingers crossed, and the British Steel Corpora-*tion is* doing much the same.

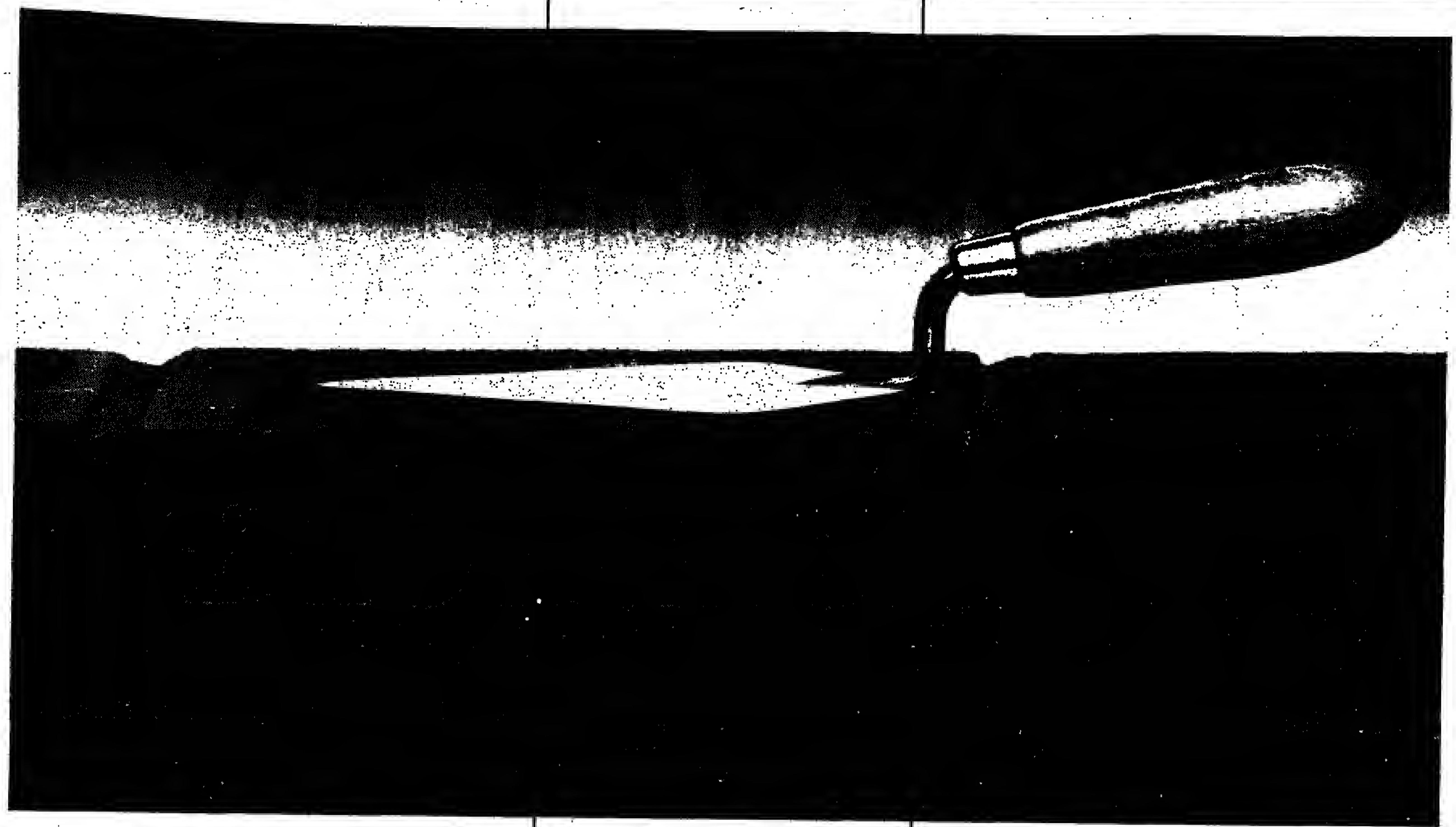
The Post Office has been given a negative EFL of −£93m, up from −£70m this year, −£60m in 1984-85 and −£51m in 1983-1984. The Post Office will only say lt is "disappointed": privately it is furious that the stately rise in its payback rate sbould have taken o sharp jump next year, especially ince lt will face a tax bill of around £90m in the same year after years of paying very little tax. This means that next year it will pay more *in negative EFL* end tax than ita current year's profit target of £135m.

It is not threetening to push up prices: on the contrary, it stands by its commitment to keep them down. But some-thing else may bave to go.

The National Coal Board has an EFL of £730m: in the current year, the planned EFL of £723m bas been increased to £929m to take cognisance of the effects of the miners' strike. The 1983 Coal Industry *Act prescribes* break even for the Board by the end of next financial year. that remains lts target. But no-one is too sanguine that it will meet next year's EFL: the Energy Department stresses it is provisional, and depends on the industry's obllity to capture markets and improvo unit costs The signs are thot, on the latter of these two at least, it is doing fairly well.

The British Steel Corporation faces an EFL of £146m, down from £360m *in tho current* year BSC officels arc hopeful it can be achieved: since the publica-tion in August of the options for the future, BSC's immediate prospects look more stabl

John Lloyd



Motor Cars

Premier Fleetserve

FLEET
AND
LEASING
SPECIALISTS

Jutsums Lane
Romford
Essex RM7 0EE

Telephone:
Romford (0708) 22399

VEHICLE DISTRIBUTORS:
AUSTIN ROVER - LANDROVER
SHERPA

SUPPLIERS:
FORD - VAUXHALL

GRUPO PCI

GET UP TO 30% DISCOUNT ON NEW CARS

Just look at these on the road examples:

Renault 25 GTX	£8,450	B.M.W. 318i 2-door ...	£7,500
Renault 25 GTS	£7,500	Opel Kadett GTE ...	£6,320
Mazda 626 GLX hatch	£6,300	Opel Manta GTE hatch	£6,150
B.M.W. 320i 2-door ...	£8,320	Mercedes Benz 190E ...	£10,550

★ SPECIAL ★
Early delivery on Opel and BMW
ORDERS PLACED BEFORE NOVEMBER 15th ENTITLE YOU TO AN EXTRA AIR AND FERRY TICKET FOR A GUEST WHEN COLLECTING YOUR NEW VEHICLE
Open 7 days a week Monday to Friday 9.00-4.30
Saturday 10.00-4.30
PADRON & CO INTERNATIONAL (UK) LTD
The Management Office
Willesborough Industrial Park
Kennington Road, Ashford, Kent TN24 0TD
Tel: (0233) 384418 or Telex: 96463
Telephone for a quotation and free brochure or contact your local agent
All prices subject to terms and conditions of our contract and currency fluctuations as detailed in our brochure
Scotland area and Sunday enquiries only 041-634 1236

Carfile

Backed by over 50 years customers service
Suppliers to Britains Largest Fleets NOW GO PUBLIC

What we are: Part of a respected Motor Group which began business in 1927.

What we do: Supply most makes and models of cars and commercials for immediate delivery. Use our buying power to negotiate the best possible discounts. Find the cheapest money to back our leasing, Contract Hire & Hire Purchase packages. Offer full manufacturers warranty which entitles you to all the normal facilities of your local dealer. Deal equally attentively to the private enquirer for a single car and the multiple order for a large fleet.

Where we differ: We do not ask you to pay a deposit of 10% (or more) of the purchase price in advance. We send a quote with a photostat copy which you can return as an order with £50.00 retaining deposit. This retainer is not to be forwarded until we have given you the chassis number or factory order number of the vehicle of your choice. As a company of considerable substance we do not need to borrow large sums of your money whilst you wait for your car. We only supply U.K. specification vehicles from U.K. distributors. As the group holds U.K. franchises itself we cannot and do not supply personal imports or converted vehicles.

Buy at Fleet Discount with confidence from Professionals who really are in the Business - 7 days a week.

Golf GTI 3 dr. Alloys (Available)	8070.20	Cavalier SRi 1800 5 dr.	7408.99
Peugeot 305 GTI '86 spec	6388.87	Carlton 18GL	7873.99
Peugeot 305 GLD	5682.49	Metro 13HLE	4817.38
Nissan Silvia Turbo	8480.09	Maestro MG EFI	6526.13
Renault 25 GTS	8413.53	Montego 16L	5578.69
Renault 25 V6i	13043.13	Rover 216 SE	6373.56
Toyota Corolla GL 4 dr.	5333.64	Ford Escort XR3	6734.26
Golf GL Turbo Diesel	6733.46	Ford Escort 16GL 5 dr.	5893.51
Audi Coupe GT	10057.99	Fiesta XR2	5600.49
Audi 100	8979.54	Granada 20i Ghia (available)	10069.31
Astra GTE 3 dr.	7066.58	Saab 900i 2 dr.	8173.16
		Mazda 626 20LT GLX 5 dr. P/S	7148.97

Ring us now for your next new car. Tel [illegible] Mon-Sat Noon - Evenings & Weekends [illegible]

CUT OUT CAR TAX

Save up to £10,500* by importing your new car

We provide Tax Free cars to meet the specification and destination of your choice. It could be USA, Africa, Australia or even Britain. Intercar can also save you up to £5,000* (Tax Paid) here in Britain, even without cutting out car tax. Find out if you qualify - visit our new 'Multi-Make' Showroom or just ask for our FREE Brochure and Guide to Tax Free and Personal Import Car Buying. Intercar also give FREE independent unbiased advice.

*Subject to our normal terms of business as detailed in our brochure.

0978 350909 intercar

Intercar (UK) Ltd., [illegible]

McMel & Co Ltd

9 AAJ	£1050	162 CAN	£635	[illegible]	£3495	1 HRD	£2000	MAN 86	£725
7248 AO	£450	697 CAY	£875	EWB 4A	£875	JAM 748	£895	MIS 12	£995
AFP 10	£395	CHO 56	£895	700 FKY	£750	JHH 560	£650	9719 MW	£450
AHO 7	£1750	20 CMU	£650	GCM 24	£895	JK 131	£1750	NJC 61	£650
4422 AP	£595	46 CNV	£697	GEO 93	£895	JM 7765	£795	3 HPG	£1395
7816 AR	£450	444 COD	£898	GEP 79	£895	8 JOT	£895	[illegible]	[illegible]
300 AWF	£795	45 CVE	£450	GJA 55	£1095	JP 16	£3999	PCO 2	£1395
BBC 23	£1395	DA 15	£3500	800 GJB	£895	KEB 1	£3995	RDF 29	£895
BC 18	£3995	879 DAA	£450	619 GMP	£575	17 KFC	£675	PKG 11	£1600
8336 BH	£450	7602 OF	£350	20 HAT	£895	KMW 95	£695	RST 87	£892
0 BHR	£1800	557 DMA	£575	HE 7665	£795	LEV 32	£895	50 OPE	[illegible]
30 BKC	£895	457 OMA	£578	HJC 1	£3750	LEW 6	£1600	RWA 65	£1300
38 BON	£675	DSE 444	£595	HMG 5	£1695	MBU 999	£795	[illegible]	£650
[illegible]	£285							SFN 3	£1450

Tel: 01-508 9412 (official CNDA)

AUTOLEASE B'HAM LTD
Contract Hire

Fiesta	from £33 pw
Astra GTE	from £49 pw
Mercedes 190D	from £81 pw
Mercedes 190E	from £87 pw
Mercedes 380SEC ...	from £218 pw
Mercedes 240TD Est.	from £98 pw

MAINTENANCE PROGRAMME INCLUSIVE
We Purchase Your Existing Car
ANY MAKE OF COMPANY CAR OR VAN SUPPLIED
021-427 3235

LEASE MASTER
NATIONAL CONTRACT HIRE

BMW 318i 4-dr	From £83 pw
ESCORT XR3i	From £45 pw
COUPE QUATTRO...	From £91.50 pw
GRANADA 1.8GL	From £55 pw

MAINTENANCE PROGRAMME INCLUSIVE
Our rates are the lowest and we buy your existing cars
Tel: 0922 612181/27451
Telex: 338585
for a quote on any company car
DE RICHE CONTRACTS

VOLVO
ORDER YOUR NEW VOLVO ESTATE NOW
Contact Christopher Craig or Peter Kipling
Telephone: 01-286 6151
Lex Brooklands

TOP DISCOUNTS
MOST MAKES & MODELS
Immediate Nationwide Delivery
Full Finance Facilities
FERNDALE LTD
01-575 4377

"C" REG MORGAN +8—Ivory, Ivory/Black Leather Upholstery, Bonnet Straps & Xtras. £15,000. Phone: Rugby 81402 Office Hours or 822271 Home.

MERCEDES 380 SEL, Unregistered, Nautical Blue, Electric Sunroof, Alloy Wheels, Cruise Control, ABS Air Conditioning. Available for lease or contract hire Business users only. Contact: Mr. Stephen Jones, 01-805 7848 (Office Hours).

Wanted

BRADSHAW & WEBB require and offer low-mileage Mercedes. Phone: 01-493 7705, 01-352 7392.

Residential Property

Rentals

URGENTLY
required good quality properties for families being transferred to London
LONG LETTINGS — GOOD CORPORATE TENANTS
Anscombe & Ringland
RESIDENTIAL LETTINGS
01-722 7101 / 01-727 7227

KEITH CARDALE GROVES
43 North Audley Street
Grosvenor Sq. London W1Y 2AG

DOCKLANDS, E14
Newly developed 4th floor, 2 bedroomed flat with superb views overlooking Thames. Early viewing recommended. Reception, kitchen, dble. bedroom, single bedroom, bathroom. Balcony. Parking space. £165 pw negotiable.

ECCLESTON PLACE, SW1
New development of superb spacious 1 and 2 bedroom apartments built to the highest of standards, conveniently situated for the shopping of Knightsbridge and the West End. Special features include impressive entrance foyer, underground parking by separate arrangement and uniformed day porter is available. Rentals ranging from £350-£550 pw.
01-629 6604

MAYS RENTALS
Quality Houses and Flats in SW London, Surrey, Berks
Tel: 037284 3811
Telex: 895112

KENWOOD RENTALS
QUALITY FURNISHED FLATS AND HOUSES
Telephone: 01-402 2271
Telex: 25271 KENWOD G

CARRIAGE LODGE, W8
Centrally situated, interior decorated bachelor Flat, close Holland Park and facilities of Kensington. 1 dble. bedroom, 1 bathroom (with shower), f/f kitchen. Available now. Company let only. £175 per week neg.
Kensington Office: 01-937 7144
Chestertons

HENRY & JAMES—Contact us now on 01-235 8861 for the best selection of furnished Flats and Houses to rent in Knightsbridge, Belgravia and Chelsea.

Overseas Property

SWITZERLAND
LAKE GENEVA OR MOUNTAIN RESORTS
Foreigners can buy lovely Apartments or Chalets with magnificent views MONTREUX, VILLARS, VERBIER, LES DIABLERETS, CHATEAU D'OEX NEAR GSTAAD, LEYSIN
Prices from SFr 123,000. Mortgages up to 65% at 6½% interest
Globe PLAN S.A. Established 1970 — Av. Mon-Repos 24, CH-1005 Lausanne, Switzerland — Tel: (21) 22 35 12, Telex: 25185 MELIS CH

RESIDENTIAL PROPERTY ADVERTISING
Appears every WEDNESDAY & SATURDAY

Holidays and Travel

Flights

American vacations ltd — NO ONE OFFERS A BETTER DEAL IN AMERICA THAN NO. 1!!

RETURN FROM	£	RETURN FROM	£	RETURN FROM	£
Atlanta	279.00	Grand Cayman	449.00	Orlando	299.00
Austin	299.00	Hawaii	489.00	Philadelphia	259.00
Baltimore	259.00	Houston	279.00	San Antonio	299.00
Boston	249.00	Las Vegas	359.00	San Francisco	299.00
Chicago	316.00	Los Angeles	299.00	St. Louis	329.00
Cleveland	299.00	Miami	299.00	Seattle	299.00
Dallas	279.00	Mexico City	449.00	Tampa	299.00
Detroit	299.00	New Orleans	329.00	Washington	259.00
Freeport	379.00	New York	249.00		

NOBODY KNOWS AMERICA BETTER THAN AMERICAN VACATIONS!!!
American Vacations offers excellent skypasses from just £59.00 up to four flights on Pan Am, and £88.00 on TWA or Americas Northwest Orient with an additional supplement of £22.00 per flight up to a maximum of 8 flights allowed. On receipt of detailed itinerary, dates and numbers of people travelling by telephone, in writing or by telex we will be pleased to offer quotations with optional confirmation of your holiday at unbeatable value!!
SUITE 19, 4TH FLOOR, MORLEY HOUSE, 320 REGENT STREET, LONDON W.1. TEL: 01-637-8485/4197, 01-636-3055/4152. TELEX 298266 CALLDNG

COLUMBUS

LONG HAUL AND ROUND THE WORLD - BUSINESS AND PLEASURE	Destination	1st	Club	ECON
	Auckland	2988	1896	749
	Sydney	2898	1780	645
	Tokyo	2839	1834	898
	J'burg	2188	835	409
	Hong Kong	2035	1400	529
	Round the World	3838	1888	765

[illegible]

U.K. Hotels

EXECUTIVES
TAKE A BREAK AT THE AA **** RAC
OLD GOVERNMENT HOUSE HOTEL
Airfare, two nights half board, car hire, and a bottle of champagne from £116. No VAT!
Send for details:
Executive Weekends
OGH Hotel, St Peter Port
Guernsey
Tel: 0481-24921 - Telex: 4191144

Art Galleries

LEGER, 13, Old Bond St. ANNUAL WATERCOLOUR EXHIBITION. Mon. to Fri. 9.30-5.30. 01-629 3538.

THACKERAY GALLERY, 18, Thackeray St., W8. 01-937 5883. DONALD McINTYRE — Recent Paintings. Until 29 November.

Clubs

FOR YOUR OFFICE PARTY (especially at Xmas) hire your own club right in the centre of town. Superb rates for all inclusive party. For further info. ring 01-930 0806.

Armathwaite Hall Hotel
BASSENTHWAITE, KESWICK. Tel: (059 681) 551
THE LAKE DISTRICT'S FIRST FOUR-STAR COUNTRY HOUSE HOTEL
17th Century Hall standing in 133 acres of parkland with lake frontage, squash, tennis, croquet, pitch and putt, snooker, games room. Golf and riding nearby. Oak-panelled hall with log fire. A la carte restaurant with magnificent views across the Lake. Indoor swimming pool complex including spa pool, sauna, solarium, trimnasium, beauty salon, bar and restaurant with grill menu. Bed and breakfast tariff from £25 p.p. per day. Egon Ronay/Ashley Courtenay recommended. Excellent conference venue.
Phone for new Colour Brochure
CHRISTMAS AND NEW YEAR PROGRAMME

Company Notices

CONSOLIDATED COMPANY BULTFONTEIN MINE, LIMITED
GRIQUALAND WEST DIAMOND MINING COMPANY, DUTOITSPAN MINE, LIMITED
(Both incorporated in the Republic of South Africa)

Declaration of Dividends

NOTICE IS HEREBY GIVEN that the directors of the abovementioned companies have declared dividends in respect of the six months ending 31st December, 1985, payable to shareholders registered in the books of the respective companies on 20th December, 1985. The dividends have been declared in the currency of the Republic of South Africa.

Warrants will be posted from the Kimberley and the United Kingdom offices of the transfer secretaries on or about 3rd February, 1986. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 23rd December, 1985 of the rand value of their dividends (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the offices of the companies' transfer secretaries in Kimberley or in the United Kingdom on or before 20th December, 1985.

The ordinary share transfer registers and registers of members will be closed from 21st December 1985 to 3rd January 1986, both days inclusive.

The effective rate of non-resident shareholders' tax is 15 per cent.

The dividend is payable subject to conditions which can be inspected at the head and London Offices of the companies and also at the offices of the companies' transfer secretaries in Kimberley and the United Kingdom.

Company	South African Currency Per Share
Consolidated Company Bultfontein Mine, Limited	4.5 cents
Griqualand West Diamond Mining Company, Dutoitspan Mine, Limited	20.5 cents

By order of the Boards
For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. KETTEL

London Office:
40 Holborn Viaduct
London EC1P 1AJ

Office of the United Kingdom Transfer Secretaries:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

12th November, 1985

US$100,000,000
ELECTRICITE DE FRANCE
11¼% Guaranteed Bond due 1990
UNCONDITIONALLY GUARANTEED BY THE REPUBLIC OF FRANCE

NOTICE IS HEREBY GIVEN that Electricite de France will prepay at 101 per cent on December 6, 1985 all the aforesaid Notes outstanding on such date. The Notes will cease to bear interest from December 6, 1985. The holders of Notes are therefore requested to present and surrender their Notes accompanied by all related coupons which are due after the redemption Date at the office of any of the paying agents referred to on the reverse of the Notes in order to be reimbursed of the principal of the Notes.

Interest due from May 15, 1985 to December 6, 1985 will furthermore be payable at the same time.

THE COMMERCIAL COMPANY OF SALONICA PLC

NOTICE IS HEREBY GIVEN that the Seventy fourth ANNUAL MEETING of the Company will be held at the Company's offices in Athens (Greece), Kerkyras street 49 on Wednesday the 18th day of December, 1985, at 10.00 a.m. for the following purposes:

1) To receive the Report of the Directors and the audited accounts of the Company for the financial year ended 31st December 1984.
2) To propose the following resolution for the re-election of Directors, of which special notice has been given to the Company in accordance with sections 42 and 185 of the Companies Act 1948: (a) that Mrs Charlotte J. Saporta and Mr. Dimitrios P. Sailiacos who has attained the age of 70 years be re-elected as directors of the Company.
3) To approve the reappointment of Mr Antonios F. Coumbaglis who offer himself for re-election as Director of the Company.
4) To approve the re-appointment of Hardy & Co. as auditors of the Company.
5) To approve that the remuneration of the Auditors shall be fixed by the Board and to determine the remuneration of the Directors.

In accordance with Article 21 of the Articles of Association Shareholders desiring to be present or to vote at the meeting must deposit their shares at least five days before the Meeting at the offices of the Company at Thessaloniki, or the Company's office in London, Messrs. Hardy & Co., 45 Russell Square, London WC1 or at Pierson, Heldring & Pierson, Amsterdam.

Any member of the Company entitled to attend and vote at the Meeting may appoint another person (member of the Company or not) as his proxy to attend and vote instead of him.

By Order of the Board.
CHARLOTTE J. SAPORTA,
Director.

Salonica, November 4th, 1985

Interfirst Texas Finance NV

U.S.$100,000,000
Guaranteed Floating Rate Notes due 1989

In accordance with the provisions of the Notes, notice is hereby given that for the three-month period November 13th 1985 to February 13th 1986 the Notes will carry a rate of interest of 8⅟₁₆ per cent per annum with a coupon amount of U.S.$212.43.

Agent Bank
CHEMICAL BANK

Contracts and Tenders

ALGERIE - الجزائر

ALGERIAN POPULAR DEMOCRATIC REPUBLIC

MINISTRY FOR ENERGY & CHEMICAL & PETROCHEMICAL INDUSTRIES
NATIONAL OIL EXPLOITATION COMPANY
NOTICE OF NATIONAL & INTERNATIONAL OPEN INVITATION TO TENDER
NUMBER: 9038-A4/MEC

The National Oil Exploitation Company is launching a National and International open call for tender for the following equipment:

LOT No. 1: ALLISON box, model CLT — 5860 — 4 — parts number 6837218 x 2
ALLISON box, model CLT — 5860 — 4 — parts number 6837453 x 1

LOT No. 2: Complete twin axle for CABOT 750 trailer (D4640) ref: 130-048-90 equipped with 1 axle D 4640 ref: JRPX562. 1 axle D4640 ref: JFPX343.

Companies interested in bidding may obtain the Specification on payment of the sum of 400 Algerian Dinars from the following address:

Entreprise Nationale des Travaux aux Puits (ENTP), 16 Route de Meftah, Oued Smar, El-Harrach, Algiers, ALGERIA. Supplies Division—with effect from the date on which this notice is published.

Offers, of which five (05) copies should be prepared, must be sent in a double-sealed envelope, by registered mail, to the Secretariat of the Directorate, Supplies Division, at the above address.

The outer envelope should not bear any mark that might identify the tenderer, and should read: "INTERNATIONAL OPEN CALL FOR TENDERS NO. 9038-A4/NEC — CONFIDENTIAL — DO NOT OPEN"
The final date for receipt of tenders is fixed at 45 days from the first publication of this notice.

Selection will be made within 180 days of the closing date of this Call for Tender.

anep/alger

ALGERIE - الجزائر

ALGERIAN POPULAR DEMOCRATIC REPUBLIC

MINISTRY FOR ENERGY & CHEMICAL & PETROCHEMICAL INDUSTRIES
NATIONAL OIL EXPLOITATION COMPANY
NOTICE OF INTERNATIONAL OPEN CALL FOR TENDERS No 9171.AY/MF

The National Oil Exploitation Company is launching an International Open Call for Tenders for the supply of the following:

EXENTRIC CASING ROLLER

This Call for Tenders is intended for manufacturing companies only and excludes amalgamations, representatives of companies and any other intermediaries, in conformity with the provisions of the Law No 78-02 of 11 February 1978, with respect to State Monopoly on Foreign Trade.
Tenderers interested in this Call for Tenders may obtain the specifications from the following address:

ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS (ENTP)
16 ROUTE DE MEFTAH, OUED SMAR, EL-HARRACH,
ALGIERS, ALGERIA
Supplies Division

for the amount of 400 Algerian Dinars, with effect from the date on which this notice is published.

Offers, of which five (05) copies should be prepared, must be sent in a closed, double-sealed envelope by registered mail to the Secretariat of the Directorate, Supplies Division, at the above address.

The outer envelope should bear no mark that might identify the tenderer, or any heading, and should read "INTERNATIONAL OPEN CALL FOR TENDERS No 9171.AY/MF — CONFIDENTIAL — DO NOT OPEN."
Tenders must be received within 45 days after this notice is published.

Tenderers shall be bound to their offers for a period of 180 days after the closing date of this Call for Tenders.

anep/alger

ALGERIE - الجزائر

ALGERIAN POPULAR DEMOCRATIC REPUBLIC

MINISTRY FOR ENERGY & CHEMICAL & PETROCHEMICAL INDUSTRIES
NATIONAL OIL EXPLOITATION COMPANY
NOTICE OF INTERNATIONAL OPEN CALL FOR TENDERS No 9169.AY/MF

The National Oil Exploitation Company is launching an International Open Call for Tenders for the supply of the following:

PNEUMATIC HOIST

This Call for Tenders is intended for manufacturing companies only and excludes amalgamations, representatives of companies and any other intermediaries, in conformity with the provisions of the Law No 78-02 of 11 February 1978, with respect to State Monopoly on Foreign Trade.

Tenderers interested in this Call for Tenders may obtain the specifications from the following address:

ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS (ENTP)
16 ROUTE DE MEFTAH, OUED SMAR, EL-HARRACH,
ALGIERS, ALGERIA
Supplies Division

for the amount of 400 Algerian Dinars, with effect from the date on which this notice is published.

Offers, of which five (05) copies should be prepared, must be sent in a closed, double-sealed envelope by registered mail to the Secretariat of the Directorate, Supplies Division, at the above address.

The outer envelope should bear no mark that might identify the tenderer, or any heading, and should read "INTERNATIONAL OPEN CALL FOR TENDERS No 9169.AY/MF — CONFIDENTIAL — DO NOT OPEN."

Tenders must be received within 45 days after this notice is published.

Tenderers shall be bound to their offers for a period of 180 days after the closing date of this Call for Tenders.

anep/alger

ALGERIE - الجزائر

ALGERIAN POPULAR DEMOCRATIC REPUBLIC
MINISTRY OF ENERGY AND PETROCHEMICAL INDUSTRIES
NATIONAL OIL EXPLOITATION CONPANY
NOTICE OF EXTENSION

The National Oil Exloitation Company (E.N.T.P.) — 16 ROUTE DE MEFTAH — OUED SMAR — EL-HARRACH — ALGER — hereby informs companies concerned with National and International Call for Tender No. 1187/11/MEC:
SPARE PARTS FOR CLARK CRANE
that the closing date, initially set at 2.11.85, has been extended to 30.11.85.

anep/alger

TECHNOLOGY

EDITED BY ALAN CANE

White Horse for Star Wars

In the approach to the Geneva Summit FT writers look at some aspects of research in President Reagan's Star Wars programme. In the first of three articles **David Fishlock** reports on how missiles could be shot down at the speed of light.

HIGH ON a mesa in New Mexico, in a congested jumble of temporary laboratories, US nuclear physicists are urgently exploring a speed-of-light weapon which will work only in the hard vacuum of space.

Since its beam cannot penetrate the earth's otmosphere, such a weapon could never be torned on terrestrial targets. Out in apoce, however, it may prove very herd to resist.

So promising has the miniaturised particle accelerator been judged by the Strategic Defence Initiative (SDI) organisetion in Washington DC, which is maneging the new US anti-missile research programme, the total budget for this technology is expected to leap from ebout $18m this year to $120m in 1986-87. Moreover, the project plans to spend a substantial sum with nuclear physicists in Britain, for research commissioned from the UK Atomic Energy Authority.

The US project began at Los Alamos Notional Laboratory — one of the central laboratories of the SDI research programme — 10 years ego, as a US Army anti-missile project called White Horse.

It aimed to develop a miniature "atom-smasher" powerful enough to disarm or destroy a space target with e beam of uncharged atomic particles, yet compact enough to orbit in space. Funding at Los Alamos ran at the modest level — for so ambitious a goal — of obout $2m-$3m a year.

The big advantage foreseen for neutral particles—hydrogen otoms, for example—was thot such a beam could be propagated for long distances ot close to the speed of light; np to 100,000 times faster than prospective targets. Beams would travel in straight lines, unbent by the earth's megnetic field, which causes charged particles such as electrons to spiral.

If it can be perfected as a space weapon, the neutral particle beam will be very difficult to combat, says Dr Damon Giovanielli, responsible for SDI system concepts at Los Alamos. Unlike lasers, which deposit their energy at the surface of the target, the particle beam dumps its energy deep inside. Such e beam will certainly wreck the electronics and may even explode the target.

The neutral particle beam may also solve another very difficult problem for the SDI, Dr Giovanielli says. It can be used as o very sensitive detector, not easily countered, to "weigh" objects at very long range and discriminate between warheads and the welter of decoys and "penetration aids" expected to eccompany any missile attack.

White Horse is an experimental rig which can generate and focus a beam nf charged particles, accelerate them to high speed, steer the beam, and finally strip off the electrical charge. It uses particle accelerator technology which has been evolving since the 1940s, and most recently has been embodied in LAMPF, the Los Alamos Meson Physics Facility, an 800m electron-volt linear accelerator.

The primary purpose of White Horse has been to secure an inherently finely focused beom, of very low divergence. Thia quality depends vitally on the design of the ion source, saya Dr Fred Purser, in cherge of neutral particle beam research.

Dr Purser claims that Whita Horse is the hottest and brightest such beam generated anywhere in the world. "We could shoot it to Chicogo and land it inside a window pane."

The ion beam source is then used to inject negatively-charged hydrogen ions into a radio-frequence quadrupole, or RFQ. The Americans admit freely that this is a Russian idea for accelerating the beam to much higher energies, using radio-frequency energy. As a pre-accelerator for ion injectors the RFQ has the supreme merits of being both compact and elegantly simple, they say.

The RFQ is really the key to making an accelerator small enough to put into space. They have no doubt that the Russians are fully alive to the potential of their invention. They ceased to publish anything about the RFQ in 1977. "It's not likely they disbanded," one US scientist said drily.

Dr Dick Burick, who heads the White Horse project, estimates that since 1975 bis team has improved beam quality by e factor of 20 "with very little effort." It has begun to look more like a weapon than a delicate scientific instrument.

As for the potential lethality of the beam — its ability to "kill" missiles — he says he has never seen enything vanish so quickly as when they pointed it at a water-cooled copper beam stop, which flashed instantly into green plasma.

Three possible ways of powering such a weopon in space are being explored: fuel cells, hydrogen peroxide turbines, and a compact fast reactor.

In the past year White Horse has mede major edvances in four separate areas: accelerator technology, negative ion source development, target discrimination, and beam-sensing and control. The fast rate of progress has persuaded the SDI organisation to step up its budget for neutral particle beam weapon development.

Of the $120m earmarked for next year, Dr Burick expects about half to come to Los Alamos.

But over two years ago the White Horse scientists recognised that Britain had special expertise in the design of powerful ion sources for high-power neutral particle beams. Britain's objective was the development of new ways of heating the plasma in nuclear fusion experiments to higher temperatures, by injecting such beams.

The Culham Laboratory of the UK Atomic Energy Authority, which odjoins the JET (Joint European Torus) fusion project near Oxford, has developed systems for beaming about 15 megawatts of extra power into the torus to superheat its plasma.

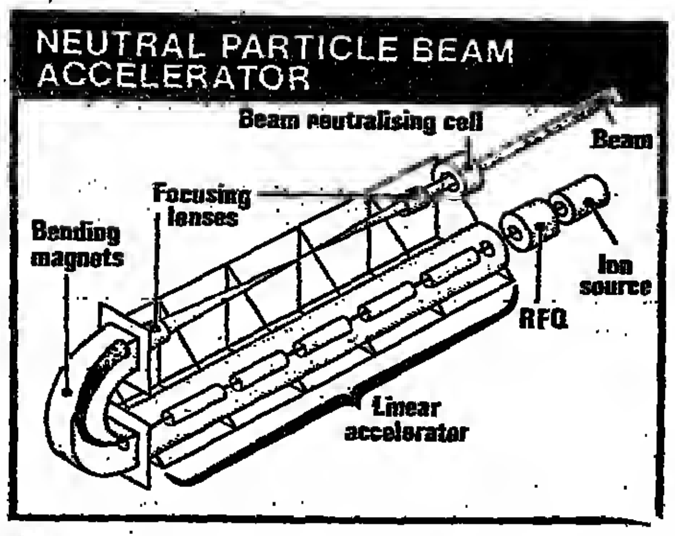
'We could shoot this beam to Chicago and land it inside a window pane'

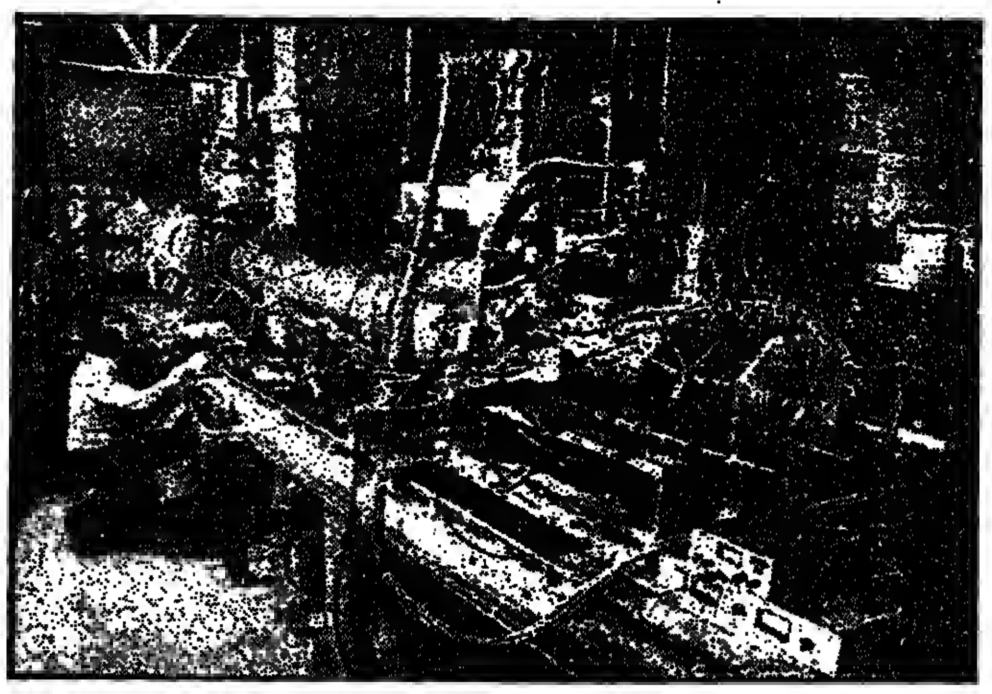
The beam required for White Horse can be generated from similar ion sources, although it would need different beam-handling techniques, says Dr Mick Lomer, director of the Culhem Laboratory. Los Alamos has proposed plocing a major contract with Culham for the science and engineering of the ion source, and its integration with US work on the RFQ.

Of the money earmarked for next year, about 60 per cent is allocated to near-term demonstrations of the sub-systems, and 40 per cent to the underlying science. But one goal is clearly defined at this stage. To work et all, the neutral particle beam must be generated on a space platform.

For all practical purposes, the US has only one system for putting such hardware into orbit—the Space Shuttle. So such an accelerator must be miniaturised to a point where it can be stowed in the cargo bay of the Space Shuttle.

Tomorrow: How "time reversing" mirrors could improve the aim of space weapons.





White Horse test rig at the Los Alamos National Laboratory

Direct link system for HP users

HEWLETT PACKARD, the Bracknell-based computer company, bas launched e software package which provides a direct link for HP users between factory floor and accounting systems.

The system, Production Cost Management (PCM), will automatically transfer informotion from the production floor to the computer-based general ledger.

PCM therefore provides medium and large sized manufacturing companies with effective cost control and evaluation of work-in-progress. A complete analysis of costs, from raw materials input through production to finished goods, can be produced on the screen.

The software runs on all HP 3000 machines and is designed to integrate material management, production management and financial accounting software into o system geared specifically to manufacturing. Not only is management enabled to plan and control routine operation — it can also make ad-hoc decisions and forecast revenues.

Steel gives way to plastics in manufacturing

INDUSTRY'S USE of plastics to replace metals in manufactured products has increased 25 per cent in seven years. A report by the Production Engineering Research Association and published by the National Economic Development Office, says in total volume plastics use in the UK — nearly 2.5m tonnes a year — exceeds that of steel.

The main reason why some components are now made in plastics, the survey says, are:

- Lower menufacturing costs with minimal finishing.
- Greater design flexibility, with the ability to combine the function of several metal components in one moulding.
- Low weight and high strength-to-weight ratios.
- Good thermal and electrical insulation, and noise absorption.
- Plastics are self-colouring and corrosion-resistant.

In many cases plastics offer superior properties and performance to metals, according to the report, which in a series of case studies, shows the reasoning behind companies' decisions to switch to new materials. The products range from polyurethane car body panels to en outdoor communications mast made in glass-fibre-reinforced polyester (also instead of steel), to nylon elevator buckets and acetal ball bearings.

Moulding e domestic kettle in acetal (replacing chrome steel) enabled the designers to produce a new shape and eliminate costly welding and soldering operations, while utilising snap-fit assembly.

The report, directed at designers, materials specifiers, and manufacturers in the main engineering industries, compares the costs, performance and properties of metals and plastics. It says that although "plastics are considered by meny designers to be e cheap option, this is generally e misconception."

Cheaper thermoplestics such as polypropylene and PVC are more than twice the price per kilogramme of the lower-cost metals, grey cast iron and steel. The engineering thermoplastics, such as nylon and acetal, are eight times the price of steel and twice that of aluminium. However, plastics are competitive with metals on a cost per unit volume basis.

In broad terms, the report says, the energy required to manufacture in plastics "is substantially more favourable than components manufactured by conventional materials."

To produce 100km of 10cm diameter pipe in cast iron requires the energy equivalent of 1,970 tonnes of oil; the same pipe made in PVC requires only 275 tonnes of oil.

The report forecasts that the use of plastics will continue to grow at 6 per cent e year, with half of this the replacement of metal with plastics. Main areas of growth are expected to be in replacing die-cast, sheet metal and load-bearing metal components.

Replacement of Metals with Plastics. National Economic Development Office, Millbank Tower, London SW1P 4QX. £3.

MIKE STRUTT

THE ARTS

Television/Christopher Dunkley

Deluged by drama, cinema-style

With television, it never rains but it pours. Suddenly, in the middle of a dull autumn season we find ourselves uoder a deluge of new drama series, not two or three bnt seven: *Stor Quality*. *Hold The Back Page*, *Operation Julie*, *Edge Of Darkness*, *Time For Murder*, *The Black Tower* and *Black Silk*.

Having complained repeatedly about the tendency of television drama to retreat into a safa world of crinolines or steam trains, I must acknowledge that only one of these—BBC 1's *Star Quality*—is a costume drama. Even there, the period is pretty recent, the six productions in this series heing adaptations of Noel Coward short stories with settings varying from the 1930s to the 1970s. The opening work on Sunday, with Susannah York playing the prima - donna theatrical star and Ian Richardson as the manipulative director, was a delightful treat, full of the spirit of Coward and peppered with characteristic lines:

"I don't have any strong objections —"

"In the theatre weak objections don't count."

However, white this is the only series with period settings, all but one of the seven (*Edge Of Darkness*) adhere rigidly to tbat naturalistic style which, in the past 20 years, has achieved such a otranglehold on television drama. It is as though James MacTaggart and his fascinating experiments of the mid-Sixties had never been; as though Howard Schuman had never created *Rock Follies*. Location shooting is the rule, the *film* eamera is everywhere, and evcn when studios or video are employed the style is atill that of cinema realism.

Hold The Back Page, on BBC1, is another Fleet Street series. *Lytton's Diary* on ITV earlier this year, you might recall, was abont a middle aged journalist, separated from his wife and carrying on an affair, appearing hard-bitten and cynieal hut really a good chap underneath, mucb given to swapping badinage in a daytime drinking club called The Galley Proof. Lytton was a gossip columnist.

Hold The Back Page is quite different. True, it is about a middle aged journalist, separated from his wife, keen to start an affair, appearing hard-bitten and cynical hut nnderneath really a pretty good chap, much given to swapping hadinage in a daytime drinking elub called The Inkwell. But—wait for it—Ken Wordsworth is a sports columnist.

The first three minutes of the opening episode last night, with the cab picking up Wordsworth outside El Vino's, U-turning and dropping him on the opposite side of Fleet Street, was splendidly funny. The other 47 minutes were pretty much like television's previous efforts to dramatise "the street of ink and drink." The anachronisms and solecisms (press photographers using motor drives for routine mug shots, for instance) engender doubts about the authenticity of all those other drama aeries with settings which are not known personally to television critics—medicine, say, or crime.

Crime is still television's favourite subject. All but the first two of these seven series are concerned one way or another with crime. *Operation Julie* was a three-part dramatisation by Tyne Tees Television of the police surveillance operation mounted in the mid-Seventies to establisb the existence of a huge LSD-manufacturing operation in Britain. What you cannot make out of a real case of endless, boring surveillance is an upbeat action drama.

What yon could perhaps make would be an interesting little series about the extraordinary manpower, man-hours and sheer grinding effort needed to gather enough evidence to nail a gang of drug manufacturers. The producers seemed vaguely aware of this: we had the old husiness of the determined cop fighting city hall for resonrces as well as fighting the had guys, and the tedium of police routine came over willy-nilly.

Yet, the series failed to concentrate on the logistical difficulties. Instead, there were repeated efforts to be "exciting," and every attempt looked spurious. The subjective camera racing up the Welsh billside with the cops to bug the farmhouse wall, accompanied on the soundtrack by raucous panting, was ridiculous: In that landscape, there was obviously all the time in the world to see anybody returning. And even if there is documented evidence that it really happened, having the pretty policewoman strip to ber nnderwear because of heat in the surveillance van simply looked like another desperate attempt to hold male viewers. The earliest attempts came with the bare-boobed rock-concert seqnences at the very beginning.

Time For Murder appeared from the opening episode to be an embarrassingly conventional sub-Christie series. The prep school looked right, the acting was proficient enough (Eleanor Bron, as ever, turning in a gem of a performance, much better than the script deserved), but Antonia Fraser's story was a preposterous old colander. Anglia's *Tales of the Unexpected* has shown how difficult it is to do this sort of thing well and *Time for Murder* needs to improve a lot to reach Anglia's standards.

Not that the stories in Anglia's own adaptations of P. D. James's thrillers are exactly convincing. These, too, use the Christie form of incarcerating a lot of nutcases in an institution and then humping one or two off—literally, in the case of *The Black Tower*, which opened on Friday with Victor going over the edge of the cliff in his wheelchair. Bnt the question with a wholly artificial creation of this aort, as with a sonnet, is how well the writer performs within the limitations of the formula; and the answer here, once again, looks like being very well indeed—though one might have wished for more of Commander Dalgliesh in this episode.

Black Silk on BBC2 is a series which is so anxious to win our acceptance and approval that one feels, as with a puppy, thaf to do anything but stroke its head would be positively beastly. Yet, it has to be said that in their determination to establish the liberal middle-class credentials of Larry Scott, the blaek lawyer at the centre of their series, writers Mustapha Matura and Rudy Narayan made a hash of the main story line in their opening episode. How Scott aprang the teenage defendant from custody, we were left to guess; and, having sprung him, Scott seemed a teeny bit less than loving and caring and liberal and middle class when he promptly obandoned the poor homeless lad to wander the streets.

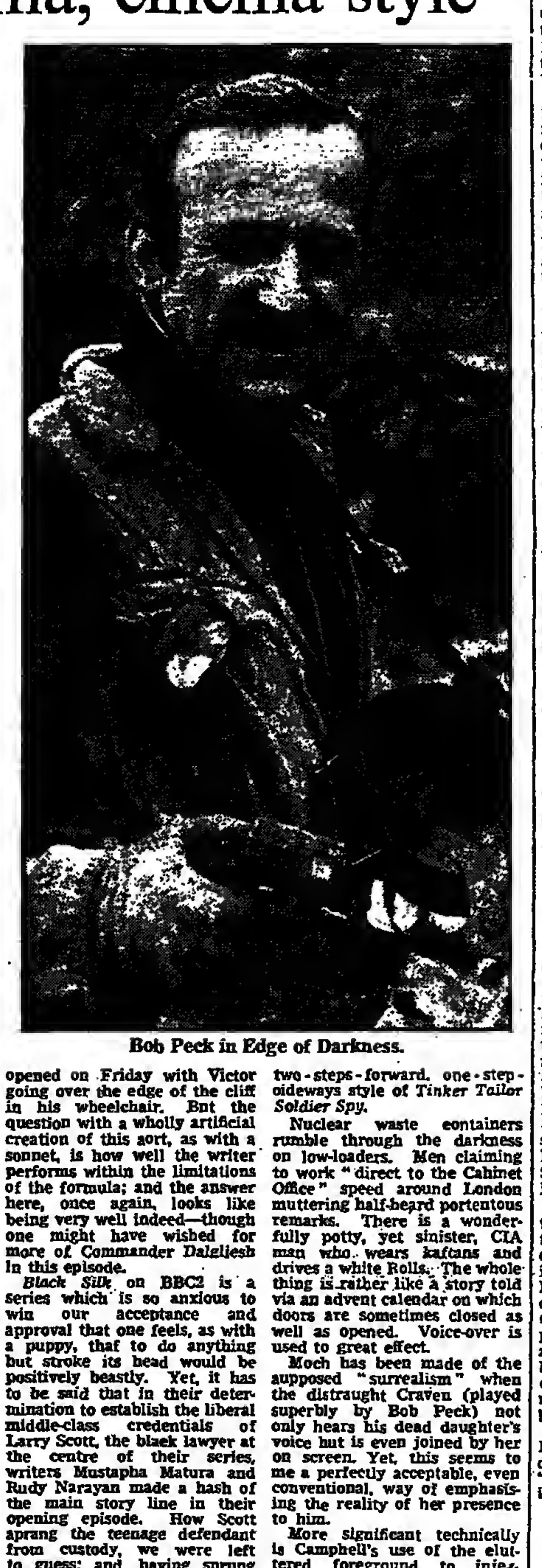
Best of the seven new series by far is BBC2's *Edge of Darkness* in which writer Troy Kennedy Martin and director Martin Campbell exemplify many of the best elements of the more successful recent television crime series. The story of the murder of Det. Inspector Ronnie Craven's daughter, and his painful and puzzled discovery of her involvement in extreme left-wing activities, is told by Kennedy Martin in the two-steps-forward, one-step-oideways style of *Tinker Tailor Soldier Spy*.

Nuclear waste eontainers rumble through the darkness on low-loaders. Men claiming to work "direct to the Cahinet Office" speed around London muttering half-heard portentous remarks. There is a wonderfully potty, yet sinister, CIA man who wears kaftans and drives a white Rolls. The whole thing is rather like a story told via an advent calendar on which doors are sometimes closed as well as opened. Voice-over is used to great effect.

Moch has been made of the aupposed "surrealism" when the distraught Craven (played superbly by Bob Peck) not only hears his dead daughter's voice hut is even joined by her on screen. Yet, this seems to me a perfectly acceptable, even conventional, way of emphasising the reality of her presence to him.

More significant technically is Camphell's use of the eluttered foreground to injeaurgency, as in *Hill Street Blues*. Where *Hill Street's* busy-busy technique is ohallow and repetitive (albeit exciting), Campbell uses people and city locations in this series — sometimes separately, often together — like a drone string, vibrating constantly to deoote the neurotic tension of modern urban life. Andrew Dunn'o habit of taking his cameras in very tight on big close-ups and lopping the tops off people's heads is no douht supposed to help but I reserve judgment on that.

On the series as a whole, I am utterly sold: Monday is suddenly the hest night of the television week.



Bob Peck in Edge of Darkness.

Roy Marsden (right) as detective Adam Dalgliesh tangles with gunman John Benfield in The Black Tower.

Blood Relations/Young Vic Studio

Martin Hoyle

Seen earlier this year at Derby, Canadian Sharon Pollock's teasing arabesque on the Lizzie Borden enigma has arrived at the comfortahle if icy Young Vic Studio.

Borden, be it remembered, is immortalised in the children's rhyme that records her disposal of ber father and stepmother with an axe (no prizes for guessing the inevitahle rhyme: "whacks"). Tried and acquitted, she lived to a sphinx-like old age regarded with suspicion hy local Massachnsetts society, and presumahly, admiration by the juvenile populace.

We meet Lizzie 10 years later. Tense and watchful in Joyce Irvine's eoolly compact performance, ahe is soon parrying the inevitable, horrified question from an actress friend: "Did you . . . ?" They re-enact events preceding the stiflingly bot day of the murders; the friend playing the vounger Lizzie while the latter impersonates the Borden'o Irish maid. Sporadically the women revert to their own personae as questions of responsibility and identity are tossed to and fro.

Ella Huhne's fine design incorporates three sets, the most striking effect being the sudden illumination of a backcloth of stylised trees whose spattered red foliage might be cosmic bloodstains: a suitable setting for the increasingly distraught Lizzie's demands ahout the sanctity of life (Attila the Hun? the slugs she poisons?).

On the first night Lyn Gambles's production showed slight rough edges with slow cues, verbal uncertainty and occasionally wayward lighting, none of which matters. The piece is intriguing if ultimately evasive, and gives Bernice Stegers a chance which she seizes with both, presumably hloodstained, hands. As the actress who plays her friend Lizzie in the flashbacks, she looks perfectly Edwardian witb firm jawline, hair plled high and wasp waist.

She charts Lizzie's despair at the prospect of bondage to her hated stepmother, the frantie attempts to win her father over and a final toppling into near madness with large-scale attack, mobile features and vocal command. Her parents are as yet tentative, but there is s world of harrassment and bopelessness in Clare Welch as Lizzie's resigned older sister.

Bernice Stegers . . . seizes her chance with both hands

La cenerentola/Cheltenham

Rodney Milnes

For some inexplicable reason, Rossini's gently bitter-sweel comedy of manners seems to drive even tolerably sane production teams into an abyss of directorial lunacy. Recently we had Glyndebourne's attempt —distressingly successful—to turn it into a Palladium Panto; and now Graham Vick (producer) and Alex Reid (designer), in an old Scottish Opera mini-touring version refurbished for the new English Touring Company (*né* Cambridge Opera Group), bave staged it as a down-market circus romp at the Cheltenham Town Hall.

One feared the worst when the overture (drastically cut) was drowned by the arrival of the circus troupe noisily setting the stage and getting dressed —Ringmaster as Dandini, red-nosed clown as Alidoro, strong man as Magnifico, bowler-hatted Giulietta Masina-style waif as Cenerentola, and so on. How those unfamiliar with it were supposed to follow the plot, let alone its implications, heaven alone knows.

But the worst proved to be beyond one'o wildest fears, reaching a multiple elimax of unimaginable horror in the second act, with the exquisite *coda* to the *temporale* blotted out by the cast making farmyard noises off-stage; the introduction of a song sheet from which the audience—at least one member of it cringing with embarrassment—was supposed to learn and then sing the chorus in the last scene; and in the finale the mezzo launching her downward scales with the erack of a wbip while the rest of the cast pranced round her like liberty horses. The strange keening sound I seemed to hear must have come from the shade of Rossini.

Even more depressing than all this is the fact that some philistine oaf at the Arts Council thought this comprehensive compendium of lowest-common-denominational vulgarity worthy of a grant towards a regional four; that, and the additional fact that decent musical values were squandered on it. Jonathan Dove'a reduction of the score for an orchestra of 13 is neatly and faithfully done, and the playing was crisply stylish under the hrisk if insufficiently supple direction of Simon Halsey.

And there were some vocal performances worthy of more auspicious surroundings. Yvonne Howard'a gentle but, when appropriate, mettlesome mezzo snited the title role well: she phrased winningly and pulled the necessary fireworks out of the bag for the finale. Stewart Bnchanan brought admirable precision to Dandini's florid music and in general used his smooth, elosely focused baritone with distinction. More flexibility from the conductor would have given Harry Nicoll (Ramiro) more room for manoeuvre in his phrasing: the notes, and sense of style, are all there. Most of the rest of the singing matched the production in unacceptable coarseness.

I must report that the performance was warmly received hy a full house, hut then public executions have always been popular. But not, in this particular quarter, the public execution of a composer of genius.

It's a Free Country/Glasgow

Michael Coveney

The elear implication of Wildcat's latest touring production (which returns to the Moir Hall in Glasgow on November 25 after one-night stands in Glenrothes, Ayr and Alloa) is that this country is anything but free. A mixed bag of songs and sketches—some good, some had, nooe brilliant — paints a picture of *cynicism*, *defeatism* and paranoia in a land run by stupid policemen, spies from the Department of Health and Social Security, and gormlessly insulting quiz show hosts.

"If voting changed anything, they'd ban it," is a line indicative of the spirit. But that line comes from one of the best items, a spikily trenchant dialogue between a demoralised old couple that would flatter Peter Cook. And a *This is Your Life* parody io which the "Sun Citizen of the Year," a whingeing betrayer of frandulent DHSS claimants, is confronted with people from his past who hate him, is both sharp aod funny.

On the other hand, Stuart Mungall's production indulges a dud soap opera from STV, "Phallus" (a load of old cock, if you please), and two cocktail bar interludes where advertising Yahoos overstay their very mild welcome in feehly delivering a macho "Thatcho" image for the leader. The one song of narrative detail and real emotional punch is about a middle-class mother separated from her son. Written by Marcella Evaristi and beautifully sung by the indomitable, outlandishly talented Terry Neason, it sounds different from everything else.

As usual, the best reason for seeing Wildcat is their musiciansbip. The group is the unrivalled hastion of alternative theatre music in Britan, and David Anderson (who leads from the keyboards) is in particularly ebullient form. Some new (to me) Wildcat faces are fitting in very well and I anticipate with relish their spring collaboration on a large musical with the Edinburgh Lyceum.

Champagne Pommery is to sponsor the four performances of Ramean's opera *Les Boréades* which the Royal Academy of Music will give on November 21-26.

Thomas Mohr/Wigmore Hall

Richard Fairman

Solid virtues win most musie competitions. A singer who has new, radical ideas but little control over the voice that will deliver them is never a safe bet for the future; but if the jury chooses a well-trained able technician, they can always hope that the ideas will come along later.

The German baritone Thomas Mohr is one of the latter. After receiving a special award at the first Walther Gruner International Lieder Competition in 1983, be came back for the second competition earlier this year and took the first prize, including a Wigmore Hall recital which he gave on Monday night. Solid virtues were clearly on display: a warm rounded timbre, sensitive phrasing and the all-round musicianship that one expects from such a winner.

Only interest is wanting. There must be any number of established singers who wonld like to take the last of Brahms' *Four Serious Songs* and shape its central section — the beavenly arc of "Wir sehen jetzt in einem Spiegel" — with this kind of enraptured tone and hroad span of phrasing. But they would surely not let the whole cycle seem so stagnant. The second song was quite becalmed by the half way stage and seemed unlikely to find enough dynamic momentum to reach the end.

In Mahler and Strauss a little more variety was forthcoming. In the *Lieder eines fahrenden Gesellen* Mahler took Mohr's supple, youthful baritone up into reaches that it seems not to have visited often before.

Time is on his side. With more recitals, more repertoire behind him, he will surely expand the range of moods and colours at his disposal. It should also give him the opportunity to find another accompanist, for Thomas Russell's heavy-handed, ungracious playing—almost drowning his singer in the opening *An die ferne Geliebte*—was hardly appropriate. The last encore, Strauss's *Zueignung*, signed off with a final splash of wrong notes.

Hercules/Elizabeth Hall

Max Loppert

Illness dealt the Chelsea Opera Group's Handel centenary tribute some low blows: at the London presentation of their *Hercules*, Dejanira and Iole were late replacemento, the former very late indeed, and the singer of the title role sent word of a cold.

In the matter of Sarah Walker'a account of the tragically deloded queen this proved, in fact, the evening'a salvation; for, as past *Hercules* performances (and the Archiv recording) hy the Monteverdi Choir bave already shown, ber Dejanira is one of the finest Handelian assumptions of recent times. Even without rebearsal of any kind Miss Walker rose to the part, compassed its every mood, touched in the full range of the music. The Mad Scene lacked a spirited orchestral accompaniment, hut was awesome even so.

Otherwise, this was not one of the COG occasions where the non - professional status of orchestra and chorus was belied by the force of passionate belief in the work undertaken. Brian Wright, conducting, managed to hold a potentially loose, limp ensemble together with reasonahly firm grip; but of the drama that the great connected sequences of *Hercules* can afford, there was—except when Dejanira was singing—little hint.

Apart from the Hercules of Peter Rose, a burly young bass with a voice (even when under the weather) to match, the other soloists were of modest quality—not inaccurate, not insensitive, but tame. Cuts were to the bone. Indeed, without Sarah Walker to provide Handelian light it would have been a dim showing altogether.

Whitbread literary awards

Whitbread yesterday announced the five books ahortlisted for its Book of the Year award, at £17,500 the UK's most valuable literary prize. The five are the winners in individual literary categories; each author received £1,000.

The 1985 selected novel is Hawksmoor, by Peter Ackroyd. The first novel is Oranges are not the only Fruit, by Jeanette Winterson; the Children's Novel is Janni Hawker's The Nature of the Beast. The winning hiography is Hugh Dalton, by Ben Pimlott; and the poetry award went to Elegies by Douglas Dunn. The overall winner will be announced on January 28, with William Hill making Hawksmoor an odds-on favourite.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Nov 8–14

Theatre

LONDON

Sweet Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen. Harold Pinter's direction and Eileen Diss's evocative designs contradict the play's lopsided reputation and place the central tussle between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern vengefulness by the sea (930 9832).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earthbound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia, Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre'o production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

Phedra (Aldwych): Welcome return of last year's Philip Prowse production, beautifully costumed, with a brave attempt at the Racinian metre in Robert David MacDonald's translation. Glenda Jackson superb in a strong cast also boasting Georgina Hale, Joyce Redman, Gerard Murphy and Robert Edison (836 6404).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to My Fair Lady. Beryl Reid rising inimitably above the material, Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs, Jocelyn Herbert designs. (437 3686).

The Seagull (Queens): Last chance to catch this superb revival by Charles Sturridge in which Vanessa Redgrave and Jonathan Pryce provide the most exciting acting on the London stage. (734 1166).

NETHERLANDS

The Orange Tree Theatre company from England on tour with Hard Times by Dickens. Mon in Etten-Leur, Nobelaer Theatre; (Tue in Tilburg, Stadsschouwburg (43 22 20); Wed in Den Bosch, Casino (12 51 25). Thur in Eindhoven, Stadsschouwburg (11 11 22).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

I'm Not Rappaport (American Place): A better title might have been Mensch on a Bench for Herb Gardner's touching, funny and invigorating play about two oldsters embodied in Judd Hirsch and Cleavon Little who almost conquer the world when they think they are just bickering with each other. (889 4731).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

TOKYO

Takarazuka All-Girls' Revue. The Snow troupe in The Kaleidoscope of Love Plus And Now. This Japanese phenomenon, the antithesis of Kabuki where the girls play the men's roles with typical innocence and earnestness, is a must for foreign visitors. Takarazuka perform elaborately-staged and skilled musical adaptations of both Japanese and Western plays, with revues and standard musicals. Plots are usually highly improbable. While rather frothy, heavy on the effects, Takarazuka provide another insight into the incongruous mosaic of Japanese culture. Detailed English summaries in the programme – in case the original story is altered beyond recognition. Takarazuka Theatre: near Ginza and major hotels. Matinees and evening performances. (591 1711).

Kabuki (National Theatre) Kiichi Hogen Sanryaku no Maki, a historical piece set during the war between the Heiki and Genji clans in 13th century. The Chrysanthemum Garden scene is a well-known repertory piece. (265 7411).

Kabuki (Kabuki-za): The annual star-studded gala performance. Evening: Tsuki Yamadono Shimatsu based on Chikamatsu'a The Love Suicide at Amijima. Excellent English earphone commentary and programme notes. (541 3131).

Noh: There are performances at most of Tokyo'a Noh theatres at weekends. Details in Tokyo English dailies and Tour Companion available at major hotels. Two handy little books A Guide to Noh and Guide to Kyogen in most hotel bookstores give summaries of plots.

Saleroom/Antony Thorncroft

For a few days each year the centre of attention for the fine art anctioneers moves to Switzerland for the sale of very costly jewels and other decorative knick knacks. The big three, Sotheby's, Christie'o and Phillips, have decamped to Geneva. They are experiencing some setbacks.

Sotheby's kicked off its series of auctions with wine which was 40 per cent unsold; an unusual disappointment for this market. The only major successes were the disposal of a dozen bottles of Chateau Petrus 1978 for £2,164 twice over. Carpets, always a tricky sector, fared even worse yesterday, with a total of £316,090; 53 per cent unsold. At least buyers were found for the two best lots: a Kashan carpet for £31,935 and a Mashad Amoghli for £22,000.

There was some consolation for Sothehy's in London when, in an auction of Japanese works of art, a large Namban lacquer travelling shrine, produced around 1600 AD for the Christian morket, sold for £121,000 to the Japanese dealer Yanagi. This is the largest of the 16 Namban shrines known to have survived, it is o bizarre mixture of Japanese decoration around o Virgin and Child painted by a provincial Spanish hand.

Christie's in Geneva was concentrating on porcelain. It was the most important dispersal of continental porcelain for years; the collection of the Swiss diplomat, the late Dr Albert Weitnaeur, made £299,844, with only 8 per cent unsold. A Meissen dish from the Swan service, modelled by Eberlein and Kandler around 1747, did well at £11,579, and a Meissen KPM teapot and cover was on target at £10,855. A Meissen purple armorial circular slop bowl by Hauer made the same price.

In the New York photographic sale at Christie's there was a record price of £25,783 paid for a print by Clarence White of the photographer Alfred Stieglitz: way above forecast. In London yesterday, in an auction of Chinese export porcelain, a rare famille rose plate for the Dutch East India Company, made in 1728, realised £9,720.

Phillips lost contact with its sales in Geneva and New York but in London it did quite well, selling modern British paintings and sculpture. Henry Moore made the top prices: £90,000 for a family group, a tiny machette in bronze, and £37,000 for "Reclining Figure No 6," of similar size. But, as elsewhere last week, Harold Harvey attracted the highest prices for a painter: £30,000 for his "On the beach at Newlyn," and £19,000 for another Newlyn scene. "The sunbathers" by Lavery fetched £29,000 and "A Footpath, Acton," by Lucien Pissarro, £25,000. A Harold Knight "Reading" made £20,000, which must be a record for the husband of the more celchrated Dame Laura.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Wednesday November 13 1985

A hostage to market forces

THE CHANCELLOR'S autumn statement will probably go down well in the country, but not so well in the City. It presents a more cheerful picture of the economy than the consensus of of outside forecasts, which is simply brushed aside as persistently too gloomy. This is achieved partly through a modest injection of government spending, financed by bigger asset sales, and when this is fed into the City models they should in turn produce more cheerful numbers. Indeed, given the gloomy bias of official statistics, now measured and acknowledged, the performance could be better than forecast. However, the official forecast also rests on a number of assumptions — about future spending control, oil prices and public-sector pay — which look decidedly hopeful. It is a statement to be read with crossed fingers.

On the official view, we can look forward to a sixth year of continuous growth, and a third successive year of growth at about a 3 per cent annual rate. Exports and investment will grow less rapidly than this year, but consumer spending should be stronger. Meanwhile, public spending, including that financed by asset sales, will be falling as a proportion of national income, and so will public-sector borrowing. All this should lead to some acceleration in job creation, to be helped along by some imaginative measures from Lord Young — a £20-a-week "learning curve" subsidy to long-term unemployed taking jobs which are initially low-paid, an end to official subsidies for redundancy payments, and some smaller micro-measures on established lines.

Projections

This forecast, and the modest fiscal relaxation which it reflects, mark a noticeable softening in government policy, and in its presentation. The language of the statement is refreshingly relaxed and lucid —a model of its kind. However, this clarity also makes the statement easier to criticise; most of the targets are well lit.

The most obvious question-mark hangs over the projections for public spending; for we are asked to believe that while the out-turn for the current year contains substantial and admitted slippage from the figures published in January, the total will be held constant in real terms from now on. Unfortunately this profile of spending—rising steeply up to the current year, and then miraculously levelling out—has become the best-established cliché in public finance. The City will certainly require some evidence before it believes that it is really going to happen this time. Indeed, even the projections for the current year will be treated with some suspicion; they are lower than most outside estimates, and even so the contingency reserve, raised to £5bn only in March, is already seen as fully absorbed. There is no allowance here for Murphy's law.

What is especially noticeable is that the system of cash control, designed to make spending departments absorb cost increases within their budgets, has not held up well. There has been a small fall in real-terms spending, but in the current review departments have restored their losses in real purchasing power.

This failure draws attention to what is missing from the statement — any discussion of public-sector pay. The Government has abandoned the habit of publishing pay targets — which is welcome, since they were never hit. However, pay pressure in areas like teaching, where relativities have fallen sharply, in scientific research and the Inland Revenue, where public-sector pay appears to be uncompetitive, show that some settlements are likely to accelerate. Will this cost be absorbed, or borrowed? The markets are likely to assume the worst until they know better.

Finally, the strategy is doubly dependent on a reasonably stable oil price — an assumption which Sheik Yamani, for one, would not endorse. A price fall would not only have a further impact on revenue on top of this year's £1bn, but could spoil the market for the privatisation of British Gas and the timing for a further sale of BP. Again, the markets will assume that this is likely to make an impact on borrowing unless they are given reason to assume otherwise. Extra borrowing within the likely limits does not look like much of a threat to anything except the Government's credibility; but what is left of the medium-term strategy does now look like a hostage to market forces.

Jordan senses an opportunity

KING HUSSEIN of Jordan seems to be on the point of regaining his Middle East balance. For nearly three years he has courageously pursued a peace process born out of the Palestinian military defeat in Lebanon and President Reagan's subsequent initiative in September 1982. He has not relinquished that pursuit, but by sending a top-level delegation to Syria yesterday he is signalling a desire to explore a broader range of policy options beyond that of bringing just the PLO to the negotiating table with Israel.

It may be that the King now senses an opportunity to lay the foundations for a more soundly based approach to the Palestinian problem. Mr Yassir Arafat, the chairman of the Palestine Liberation Organisation, is in the process of eating diplomatic humble pie. After the disaster of the Achille Lauro affair and the failure to clinch a PLO meeting with Sir Geoffrey Howe in London, he needs Jordan and Egypt more than he has ever done in the past. Although not yet quite willing to recognise Israel and renounce all forms of violence, Mr Arafat is closer to that point than he has been in 20 years.

At least for the moment the Palestinian leader is pledged to behave himself, insofar as his public statements are to be believed and his capacity to control such a disparate organisation is maintained. However, this in itself does not resolve another weakness in King Hussein's strategy—the attitude of Syria without whose tacit support it was always going to be extremely difficult, if not impossible, to move into formal negotiations with Israel.

Negotiations

Syria has long argued that Hussein and Arafat alone could achieve nothing substantial for the Palestinians. The Arabs had to negotiate, or, in the last resort, fight from a position of united strength. President Hafez al-Assad of Syria is also the prime representative in the region of Soviet interests and there is no indication that Moscow is willin gto forgo any role in a Middle East settlement.

King Hussein has also always insisted that peace negotiations had to be conducted under the framework of an international umbrella, preferably that provided by the United Nations. A reconciliation with Syria would be a step in that direction.

Other small steps are also being made, although with less clarity. It is still far too early to suggest that the Soviet Union may be planning a resumption of diplomatic relations with Israel, but it appears willing to allow one or two of its East European allies to move towards that goal. Mr Shimon Peres, Israel's Prime Minister, has softened his former total opposition to the idea of an inter national framework for negotiations and believes he has achieved a degree of under standing with King Hussein on the procedures, if not the results, of a peace process.

Israel's stated objective remains direct bilateral negotiations with King Hussein, accompanied by non-PLO Palestinians. But with the Israeli coalition balanced on a knife-edge and Mr Peres due to hand over as premier to Mr Yitzhak Shamir, the hawkish Foreign Minister, in the second half of next year, all statements from Israeli politicians have to be read with even more than usual care.

There is little current requirement for overt American diplomacy in the region, beyond reassuring its friends of US support and measuring with care its response to developments which on the surface may not appear to serve Washington's interests.

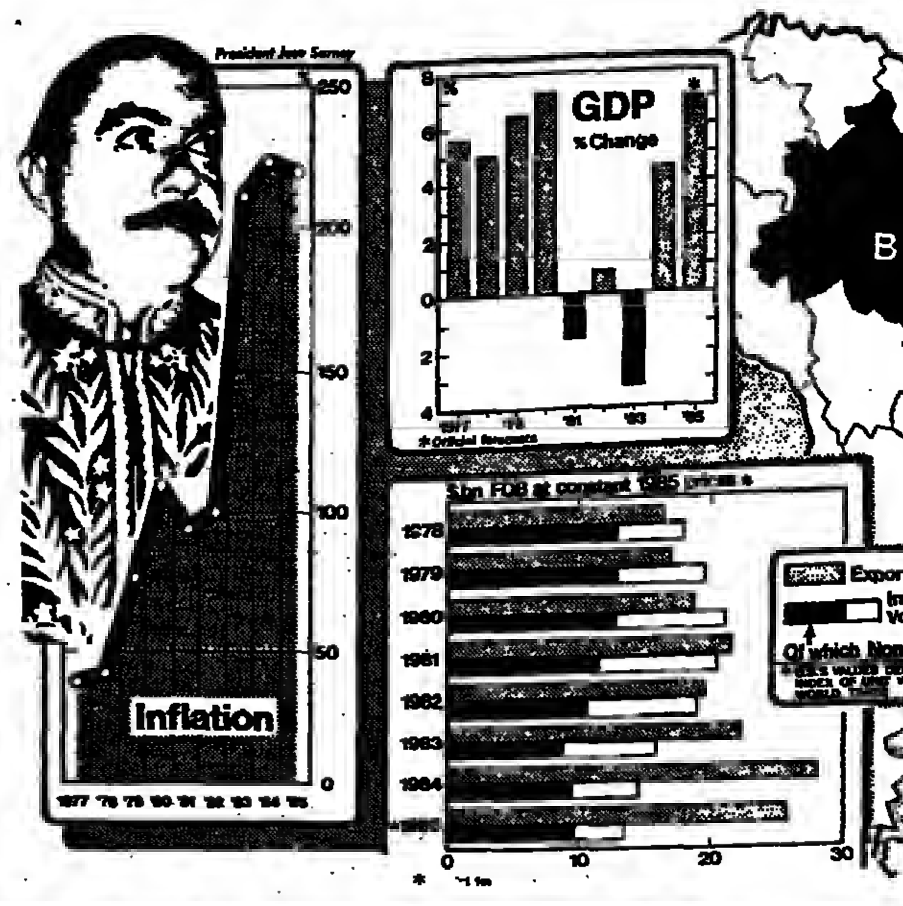
For example, there is far more to King Hussein's rapprochement with Syria than pique at Congress's refusal to approve an arms sales package for Jordan. Similarly, Washington and the Western world have to expect further acts of terrorism in the Middle East and to temper the desire to punish with a cooler assessment of wider objectives.

The greatest contribution President Reagan can make in the short term is to achieve some measure of understanding with Mr Gorbachev next week. The Soviet leader has already dealt abruptly with Libya and is not entirely happy with its Syrian relationship. The two men could find they have more in common than might be supposed. Such a discovery could have a very salutary effect on their Middle East clients.

Brazil's economy

A boom which makes bankers uneasy

By Anatole Kaletsky and Andrew Whitley



Leighton Morris

WHICH Latin American country is likely to be the fastest growing economy *in the world* this year? Which major Third World debtor seems most convinced that the International Monetary Fund's approach to the international debt crisis—even as modified last month by Mr James Baker, the U.S. Treasury Secretary — is doomed to failure?

It is odd that the same country can provide an answer to both these questions. It is even odder that this country is Brazil.

Two years ago, the prospects for the world's most indebted developing country seemed dismal. At best it seemed to face a sluggish and fragile recovery, dependent desperately on the vagaries of the world economy and the whims of its foreign creditors. Yet, as President Jose Sarney boasted last week in his first major economic speech since last month's IMF meeting, Brazil is set to achieve a growth rate of 7 per cent this year—*a year of weakness in all its major* export markets and of deadlock with its creditor banks.

More remarkable still, Brazil's spectacular growth rate has not been achieved at the cost of its foreign obligations. Growth has been combined with huge trade surpluses, easily sufficient to pay the interest on its $104bn foreign debt. Yet for the banks and the IMF there is another, profoundly worrying, side to Brazil's apparent economic triumph.

As President Sarney insisted last Tuesday, Brazil now follows policies completely "independent of the conceptions of the IMF." The possibility that Brazil's economy may continue to strengthen even as its relations with the IMF and the banks deteriorate further, has implications not only for the central role of the Fund in the debt problem, but even for the whole intellectual consensus in *favour of free market* economics which has come to dominate development thinking throughout the world.

Many of the Government's present policies — boosting wages in the public sector, cutting domestic interest rates in the face of overshoots in the money supply, indexing wages against inflation, rigorously controlling imports—might have been specially designed to defy the IMF's standard injunctions. *Worse still for* the present economic consensus, there seems to be little anyone outside Brazil can do to bring the country to heel.

A diplomatic approach could always maintain of course, that the differences between Brazil and the IMF are only over details, not principles. Later this month, for instance, the Government is likely to announce some IMF-style measures to cut its budget deficit and contain the *rampant inflation* which *is* at present the darkest cloud on Brazil's economic horizon.

But neither the substance of the Brazilian plan, nor the way in which it is presented, is likely to be acceptable to IMF officials. Mr Dilson Funaro, Finance Minister, insists that Brazil's economic programme "will be absolutely our own work." The IMF will simply have to take it or leave it. There can be no question, says Mr Funaro, of turning *last year's* government deficit, which was equivalent to 2.5 per cent of GDP after allowing for inflation, into a surplus, as the IMF has been demanding.

In direct contradiction to the IMF, which holds that inflation must be reduced as a precondition for faster growth, Brazil's policymakers now maintain that growth is the precondition and lower inflation the outcome. Growth will boost *government revenues*, cut budget deficits, improve productivity and raise profits, making the battle against inflation far easier and less painful, *they argue*.

The firmest foundations for Brazil's self-confidence, however, rest not in theory but on the surer ground of the economy's actual performance. As long as the country can generate large foreign exchange surpluses and grow without running up *new debts*, the banks and the IMF have neither the right, nor the ability, to interfere in its domestic policies, Brazilian officials say.

Their argument raises the all-important question about Brazil's performance. Is it really possible for a developing country like Brazil to grow at 7 per cent a year and still transfer to its foreign creditors trade surpluses of over 5 per cent of GDP?

Until this year, most Third World politicians, development economists, and (privately) even bankers, would have replied with a resounding "no." The foreign surpluses required to service debts could only be generated through a prolonged period of straitened domestic consumption.

In the case of Brazil, however, it is impossible to deny the evidence of hard statistics. The country is booming and the debts *are* being paid—the latest figures show industrial production up 12.4 per cent in the year to September, while the trade surpluses continue to roll in at a regular $1bn a month.

Does this mean that Brazil has rediscovered the magic formula which made it the miracle economy of Latin America in the 1970s?

Initial reactions are bound to be sceptical. Brazil's accomplishments are neither secure nor costless. Not even government officials think that the economy can go on growing at its present pace much longer and most business forecasters believe that President Sarney's 5 to 6 per cent growth target will prove unattainable by next year.

Although the forecasters have proved consistently too gloomy in the recent past, their principal anxiety is well founded. It is the threat of a breakout in inflation, like the one which destroyed Argentina's experiment with expansionary policies earlier this year.

Inflation, in fact, is the new guise in which the foreign debt has returned to haunt Brazil's economy. Generating the $12bn trade surpluses required to pay Brazil's interest bills is only half of the economic adjustment required to cope with the debt problem. The other half is to channel the 5 per cent of GDP needed for debt payments, from the private sector into the government's coffers. This can be done in one of four ways—raising taxes, cutting public spending, borrowing on the domestic financial markets or printing money.

The government is using a combination of all of these methods, but with the emphasis on borrowing and printing money. Inevitably, this means explosive growth of the domestic public debt and con*stant dangers of* accelerating inflation. In effect, Brazil as a nation is managing to carry its foreign debt burden, but it is avoiding the tough decisions on how that burden is to be divided among workers, corporations and the beneficiaries of government spending. Instead, the random, impersonal, inflationary process is passing the debt burden around the economy like a hot potato.

Sooner or later, Brazil will have to address the question of how to finance its debt repayments without inflation. But the government believes this issue can be fudged for several more years, perhaps even until a resumption of large-scale capital inflows from abroad starts helping to pay for the interest payments on the current debts. In the meantime, Brazilians would continue to be protected from the worst ravages of 200 per cent inflation by their universal system *of indexation*.

> Sooner or later, Brazil will have to address the question of how to finance its debt repayments without inflation

To the IMF such arguments are anathema. Unless a country accepts the fiscal tightening necessitated by its debt servicing obligations, inflation will inevitably accelerate and eventually destroy its economy —this is the alpha and omega of the Fund's beliefs.

If the IMF is right and the Brazilians are wrong, then within a year or so, Brazil might once again confront an awesome decision: to deflate the economy or to default on its foreign debt.

Government officials, however, are confident that no such dramas are in prospect, at least in the near future. They point to the recent history of Brazilian prices, which suggests that it has been possible to stabilise inflation for several years at *a time*, albeit *on* a series of rising plateaux (see chart).

They also emphasise, more convincingly, the contrast in economic structure between Brazil and countries like Argentina and Peru which have tried and failed to grow their way out of inflation and foreign debt.

This structural difference is tha ultimate reason why Brazilian officials these days can adopt a cheerful insouciance towards the banks and the IMF, instead of being bowed down by debt worries like their colleagues in other parts of the Third World.

Brazil today is less dependent on imports than almost any other country in the world. A long history of import-substitution, backed by import controls and heavy direct investment by American and European multinationals, has produced an extraordinarily self-reliant economy.

This year, Brazil's total import bill will account for less than 6 per cent of GDP. By this measure, Brazil is less dependent on foreign trade than the US, India or even China where imports amount to roughly 8 per cent of GDP. Even these comparisons understate the scale of Brazil's industrial self-reliance; excluding oil, the import ratio is only 3 per cent, a figure which is probably *unmatched* by any other country.

This almost autarkic economic structure now allows Brazil to expand consumption without sucking in imports. And despite the emphasis on exports in the IMF's official rhetoric, import compression remains the key to successful economic adjustment. Since 1981, Brazil's exports have grown by 4 per cent a year in volume terms—its imports have shrunk by 12 per cent annually.

Declining oil prices have worked strongly in Brazil's favour; but even in cutting oil bills (see chart) import substitution has played a major part, through oil exploration and hydro-electric projects, along with the *highly-subsidised* conversion of the country's car fleet to run on alcohol.

On the face of it then, Brazil seems a precise counter-example to the conventional wisdom which holds that developing countries can only succeed by lowering trade *barriers* and integrating themselves with the world economy.

There are, however, two vital caveats about the Brazilian model.

The first is simply that import substitution is a sensible option only for countries large enough to support economies of scale and competitive markets across the whole gamut of industrial sectors.

The second caveat is that Brazil's present self-sufficiency owes something to the collapse of investment since the debt crisis. Imported consumer goods account for only 0.4 per cent of Brazil's private consumption, but the ratio of capital goods imports to total investment has averaged 5.3 per cent since 1979. Thus foreign machinery will add substantially to the country's import requirements once large-scale investment is resumed.

A related problem will arise at the macroeconomic *level*. Once the recovery in consumption starts running up against the limits of industrial capacity, domestic savings are likely to prove insufficient to finance a surge of investment, along with the continuing payments on the foreign debt.

Just when *this phase* will arrive is the key question for Brazil and its foreign creditors. Mr Joao Sayad, Planning Minister, believes that there is enough unused capacity for consumption-led growth to continue for another three or four years before the need for new investment starts putting pressure on the balance of payments. Other officials believe that Mr Sayad may be over-optimistic. The economy will hit capacity bottlenecks much sooner — perhaps in 18 months or so, they argue.

But whether the crunch comes sooner or later, practically all Brazilians would agree on two statements. A contradiction will eventually arise between the country's need for new *investment* and its ability to transfer resources to its creditors. And if this conflict precipitates another debt crisis, it will this time be the creditors, not the Brozilians, who have to do the adjusting.

Men and Matters

Tandem rides high

Jim Treybig, president and chief executive of Tandem Computers, reckons that his "mousetrap" is going to be a much-longer running success than Agatha Christie's play, which is now in its 33rd year.

Treybig's "mousetrap" is the fail-safe system on which Tandem in 10 years has built an annual turnover of $624m, leapt into the Fortune 500, and swept the board in banking, defence and telecommunications.

London and 13 other stock exchanges throughout the world run on it; so does Cheltenham's GCHQ, the London clearing banks, City firms like Hoare Govett, and Wall Street's Merrill Lynch.

The bespectacled Texan electrical engineer—Harvard and Stanford's choice as entrepreneur of the year—was in London yesterday talking about business prospects with that breezy confidence that California seems to engender.

"Tandem is getting stronger," he said—taking a sanguine view of predictions that it would be facing fiercer competition from late-developers in its markets.

In the past four years, said Treybig, some $250m had been poured into starting up some 25 potential competitors. "Only one has survived."

One of its leading rivals, he forecast, would "not exist in another five years."

Treybig sees the City of London's revolution as a major opportunity for Tandem's expansion. The UK business has grown by some 30 per cent this year, and Tandem has formed alliances with 12 UK software houses.

"Our concern is within ourselves," he said, "to keep learning, to keep wanting a better product." He believes in keeping Tandem's employees happy as well as tha customers.

Thirty per cent of the company is owned by the employees. Shares are distributed every year as a bonus, and options granted on promotion.

A keen radio ham who spends his holidays bouncing radio signals off the moon, Treybig believes above all in communication between all levels of his workforce worldwide—by computer, films and television.

For two hours every Friday, workers down tools at every Tandem plant for a "beer-bust" —a break for a general chat about the business over beer and popcorn.

Hammer thrown

While almost everyone in Washington appeared to be falling over themselves to get on tha guest list for the Royal visit the sama cannot be said for the 10,000 residants of Florida's Palm Beach.

As the Prince and Princess of Wales headed down to this most aristocratic of American resorts yesterday for dinner at the exclusiva Breakers Hotel, American newspapers reported that Mrs Mary Sanford—"the Queen of Palm Beach Society" —had quit as organiser of the Royal Ball, after falling out with the venerable Dr Armand Hammer.

Hammer is hoping to raise $4m for his United World College of the American West, the US branch of one of Prince Charles' favourite charities.

But, in spite of his wealth, Hammer is considered very much an outsider on this small island off the Florida coast where, it is said, "You can see wealth oozing out of the palm trees."

Mrs Sanford, together with many of the local and highly conservative residents, is upset by the way Hammer and his men have muscled in on their exclusive resort.

And they are *suspicious* of Hammer's legendary Russian connections which go right back to Lenin. One local worthy even described the United World Colleges as "training schools for the KGB."

Goobey's exit

After a clash of personalities with Norman Pilkington, executive chief at the fund management boutique Geoffrey Morley and Partners, Alastair Ross Goobey, 39, has quit. "We've had a substantial discussion about policy and style of investment management, and basically I lost," says Ross Goobey, who was investment manager at Courtaulds' pension fund before joining Morley some four years ago.

The row has come just as Morley has been *clawing its* way out of a trough which saw performance slump into the fourth quartile in 1982 and 1983. On recent figures the firm, which has around £1bn from 40 pension fund clients on its books, is back into the top quartile but the scramble for short-term gloss on the figures has apparently not been to Ross Goobey's liking.

Chairman Geoffrey Morley, himself, is out of the day-to-day management picture these days, and says that for all his personal admiration of Ross Goobey, he had to leave Pilkington *to be the final* arbiter. "*If* you rely on long-term growth you're dead in the short run. You have to run a business," he says.

Alistair Ross Goobey (whose father, George, was credited with creating the cult of the equity when he ran the Imperial Tobacco pension fund) is now exploring other opportunities. He can rely on support from his former chairman. "I shall help him all I can to get the biggest job in the City," says Morley.

Bank interests

Volksbank, the fourth largest Swiss bank, had a plump information pack available at the launch of its London branch yesterday, its first outside Switzerland. It included a glowing investment report on the bank's performance and the appeal of its shares.

On closer inspection the report turned out to have been produced by Volksbank's own analysts. In response to a question about this apparently commonplace Swiss practice, Mr Walter Rnegg, the president, said: "It's at least as accurate as other banks' reports on our bank."

Not that British institutions are blameless in this regard. Rowe & Pitman's equally enthusiastic report on the TSB group (whose release was rather unfortunately timed yesterday in valw of the Scottish Court ruling that the bank there belongs to its depositors) fails to declara an interest as brokers to the flotation, though there is brief mention of the fact in a separate press release.

Old-fashioned

A doctor examines a naw patient. "You really are in excellent shape," he says, "let me guess your age—48?"

"Nope, I'm 70." "My goodness," says the doctor," that's fantastic. How old was your father when he died?"

"Who says he's dead? He's very much alive—plays golf, swims, chops down trees for a hobby."

"Well—how old was your grandfather when he died?"

"Who saya he's dead? He's 118 and fit as a fiddle—in fact be got married last week."

"That's incredible—but tell me, why on earth would a man want to get married at that age?"

"Who says he WANTED to get married?"

Observer

AFGHANISTAN

The big powers talk, the war goes on

By Patrick Cockburn in Moscow and John Elliott in Peshawar

PRESIDENT REAGAN may be hoping that the chain of summits he would like to see launched in Geneva next week will start the process of easing the Soviet Union out of Afghanistan.

But in Moscow, in Kabul and among the Mujahideen guerrilla leaders who populete the border between Afghanistan and Pakistan, the signs are that six years after the Soviot invasion all sides are digging in for a campaign of indefinile duration.

This is not to deny, however, that there has been a change in tone in Moscow over the Afghan War. Detailed accounts of the fighting in what was nnce the forgotten war now appear regularly in the Soviet press and Red Star, the military newspaper, has recently started to devote a regular page to the deeds of the 115,000 Soviet troops Moscow says are involved.

Today, there is no attempt to conceal the fact that the Red Army is fighting its first serious war since 1945. "Soviet commanders who are already grey haired are finding themselves under fire for the first time," writes one Soviet commentator.

The change, however, is essentially one of presentation. The official rationale for e Soviet presence — response to an invitation from an Afghan government threatened by foreign-inspired insurrection and the need to secure a strategic southern border — have not changed since President Brezhnev ordered the invasion.

"Why is my cousin serving in Afghanistan?" asked an anonymous correspondent from Kiev in the Ukraine recently. The reply, from e General Mazhayev, published with the letter in the press, said that Soviet troops were there to repel foreign aggression and to defend the border: "Our soldiers are fulfilling their international duty; they are also defending their own Ukranian, Siberian and Kazakh homes," wrote the general.

In recent months, the Kremlin has also stepped np its verbal attacks on Pakistan, characterising it as a pawn for US ambitions in the area. As Tass put it: "by pulling the burning chestnuts out of the fire for those who direct the undeclared war on Afghanistan, Islamabad jeopardises the future of its own country." Extensive publicity is also given to President Reagan's request for $300m for the guerrillas in 1986 and 1987.

Foreign backing for the Mujahideen is thus cited not only as the cause of the war, but also as an explanation why it is now in stalemate.

The Mujahideen fighters have now diversified their efforts beyond the military front. Guerrilla leaders in Peshawar, the border city where many of them are based, say that they expect little progress from either the coming Reagan-Gorbachev summit or from the United Nations peace talks which resume in Geneva next month.

For them, the struggle is still a holy Islamic war, but it is being conducted in an ever more pragmatic fashion. Seven competing Islamic groups merged earlier this year to form an alliance which was then able to eppoint for the first time a single spokesman to treat with the UN. They are also working increasingly to rebuild social services in rural Afghan border areas where they exercise considerable control. These have been destroyed by six years of almost constant warfare.

Only 8m of the country's 14m 1978 population are believed to be still in the country. Some 3m are refugees in neighbouring Pakistan, where only between 300,000 and 400,000 have been eble to find employment. A further 1m are refugees in Iran and perhaps as many as 500,000 have been killed. Many Afghans have fled from their homes within the country, the most dramatic effect of which has been to swell the population of the capital, Kabul, from 750,000 to over 2m since 1978. Soviet and Afghan troop losses in the war are more difficult to estimate—President Zia of Pakistan recently suggested e figure of 70,000, but local diplomats say this is an underestimate.

There is no doubt that direct US backing for the rebels and for Pakistan is large and appears likely to grow. A six-year, $3.2bn Pakistani aid package from Washington is due to expire in 1987 and

President Zia has asked for it to be doubled for the period 1987-92. The US is also spending between $250m and $280m this year on covert relief and defence aid for the Mujahideen in Afghanistan. The guerrillas also receive significant military support from China and Saudi Arabia.

In Pakistan and India, the view is that this raising of major power involvement bespeaks a long conflict. It is also felt that increased Soviet military activity in Afghanistan—for the first time this year, Moscow's troops have staged more than one major offensive — is primarily a sign of determination to control and then contain the situation, rather than preparation for any change of Soviet strategy.

The Russian military objective, which has switched the emphasis from ground to airborne attacks, is to try to seal the border with Pakistan, to cut Mujahideen supply routes and to inflict casualties. "They want an Afghanistan with no Afghans," says one guerrilla leader.

There have also, inevitably, been occasions when the fighting has spilled over the border into Pakistan. On October 28, for example, nine people were killed by Soviet artillery fire on a Pakistani village.

In Islamabad, some feel that this is all part of a Soviet military and political strategy to persuade Pakistan to distance itself from the U.S. According to this view, the military thrust has been backed up by the Karmal regime in Kabul, which has this year held jurgas — a traditional form of Afghan grand assembly—to try to win Islamic support for the regime.

At these events — including one held for religious leaders from the tribal groups on the Pakistani side of the border — elders bave returned bome with gifts of mooey, weapons and food. The Karmal regime has also spent money rebuilding and decorating mosques.

These moves have certainly helped further to destabilise the Pakistani side of the Afghan border, placing sophisticoled weapons in the bands of a traditionally warlike people and making some ereas entirely impenetrable to Pakistan's own police force. But the same factors have not been sufficieot to allow the Soviets to bold on to garrisons in areas like Kunar and Paktia. Eveo Kabul has proved vulnerable to rebel ettack. In the past month the Mujahideen have on several occasions succeeded in firing rockets across the capital. Now there are reports that Soviet troops are massing for another major ettack on the Panjshir Valley, a traditional Mujahideen stronghold.

So far, Soviet pressure seems to have made no impact on President Zia, who has made enormous domestic political gains as e result of the Russian invasion of Afghanistan. In 1979, he was struggling for international recognition following the execution of his predecessor, Mr Bhutto. US support for Pakistan as a buffer against the Soviet Union has been a major factor in enabling the Zia regime to consolidate its position in the region.

Pakistan's main goal is for Soviet troops to withdraw from its borders and for Afghan refugees to go home. In Islamabad's view, there is no point in a settlement which does not secure both these objectives.

The problem is that, on the one hand, withdrawal of Russian troops is seen in Pakistao as an obvious precondition for the ending of the Mujahideeo action and therefore for the return of the refugees. But if the troops were to go home, President Zia reasons that the Karmal regime would fall, so there is little point in him negotiating with it.

The logic of this situation, in the view of the Mujahideen leaders in Peshawar and of President Reagan, is that Moscow should negotiate with the guerrillas in order to organise replacement of the Karmal regime.

Because none of these initiatives offers the possibility of a stable, strong and neutral Afghanistan, Mr Gorbachev has little alternative but to soldier on.

In the longer term, the Soviet Union might attach some hope to the idea that the Zia regime could prove less stable and less pro-American as the political system changes. But for the foreseeable future, there is little alternative for either side bot to continue to fight an unwinnable war.

Britain's inner cities

Alfonzo's challenge to social entrepreneurs

By Stephen O'Brien

ALFONZO is nearly 18: he canoot read, although he was edocated in London. However, he is highly numerate and alert. Frieods say he can make a price instantly off the top of his head for delivery of any quality of cocaine. He has much the same skills as the sharpest dealer in financial or commodity futures balf a mile away in the City. Yet noe will probably end up in prison and the other will earn a six-figure salary before their 30th birthdays.

Tinder-box inner city areas are characterised both by physical decay and the enormous waste of human talent. All too easily, feelings of discrimination and victimisation become self-justified. Amid complex economic and social formulae for regeneration, we often fail to recognise the grass-roots side of the equation—the recent emergence of the social entrepreneur.

Without condoning the way to which Alfonzo's life is developing, it is clear that the cooditions in which he has grown up, in Hackney, have had a major part in his development. He has no prospect of decent housing and no job. About 65 per eent of teenagers in his borough are also without work and have absolutely no stake in Britain's society.

American cities are worse, or perhaps they are five years ahead of the UK. In Chicago, Boston, Washington, Philadelphia and many more, whole sections bave become "no go" areas for the police and "decent" folk neither live nor work there nor pass through. They are peopled by a new "under-class" — the long-term unemployed and even their riots go increasingly unreported because they damage only the neighbourhood. They have been written off.

However there may just be time to avert what, in a country of Britain's size, would be cataclysmic. In the past few years, we have learnt that change for the better depends largely on what happens locally, that government on its own will never solve the problems, and that industry and commerce are increasingly ready to help.

Since the riots of 1981, we have invented mechanisms through which government, central and local, employers, trade unions and business can all play their part in local transformation.

There are 215 enterprise agencies already developing e bandholding role in 16½ per cent of all jobs created. Industry and commerce are learning how to train some 200,000 school-leavers a year under the Youth Training Scheme. Voluntarily-led projects like Instant Muscle, Project Fullemploy, the Youth Business Initiative, the Youth Enterprise Scheme, Neighbourhood Energy Action and the Action Resource Centre are drawing all sides of society together, in partnership, to assist disadvantaged young people to belp themselves to get off the dole queue.

Furthermore, there are the stirrings of real self-help enterprise in some of the worst hit areas.

A small co-operative on Merseyside's Weller Street

The ability to teach self-help sensitively at street level

shows how the unemployed, fed-up with the degradation of their bousing, fought their way through years of red tape. With the help of sensitive community architects, they have built themselves a new bousing estate. Now the leaders of the co-operative are working out how to use the skills they bave acquired to build themselves jobs as well.

At Neath in Sooth Wales, Howell Brittain, seconded from Metal Box, has masterminded, as part of the Neath Partnership with the use of private and public sector resources, the building of a mountain conference centre in the Palenna Forest at Pontrhydyfen. Already much in demand, it bas brought the first new jobs for a generation.

The "Wicker" project in Sheffield is probably one of the largest and most successful black self-help enterprises in the UK. Money from the Urban Programme has enabled an exclusively local workforce to renovate and refurbish an old Georgian building which spans half a block. The community was adamant that it wanted to control the funds. Most important of all, it wanted to learn through experience, even if that meant making mistakes. In 24 months the project has created as many jobs, and is likely to create 35 more on completion. The new complex, which npens in a few weeks, will provide facilities for culture and training as well as a small business development centre which will be income-generating.

All these schemes have one thing in common. They are led by a new profession—the social entrepreneur. Theirs is the lesk of pulling together resources from government, in all its forms, the EEC and the companies, end harnessing them to self-help job creation and training schemes at street or neighbourhood level.

We will have to depend on their professional skills if Alfonzo is to be harnessed to onr economy, rather than spend his life knocking it down.

Directors of euterprise agencies are also social entrepreneurs. Entrepreneurship is an attitude of mind and spirit. The mixture of daring, delermination and dynamic can be found and applied in all spheres of life. The social entrepreneur applies himself to the economic devclopment of others.

The role needs business know-how and the ability to teach self-help sensitively bnt firmly at street level. Above all, it needs the support of society as a whole. As yet, there is insufficient trust and linkage between providers of resources and these front-line pioneers. Neither they nor their work fit comfortahly into governmeot guidelines or corporate community involvement policies. Business in the Commnnity exists, in part, to improve this linkage.

However, there is real frustration in the fact that jobs are being creeted in fives and tens, while they bave been lost in millions. If we can learn bow to harness society's existing resources to encourage and support a self-help drive in our inner cities, then there is hope. The challenge for government and for all major companies is to make use of social entrepreneurship so that we can help powerless people and thus prevent their anger from destroying our democracy.

The author is chief executive, Business in the Community.

Letters to the Editor

Life assurance commissions

From the Registrar, Registry of Life Assurance Commission

Sir,—It is not for me to say whether Clive Wolman (November 8) has got correct the proposals of the Marketing of Investments Board organising committee for the regulation of life assurance commissions. But the scheme he outlines appears to be based to some extent on the proposals of the Registry of Life Assurance Commission (Rolec) hacked by nearly 80 per cent of the life assurance industry. I accordingly feel justified in pointing out that the Rolac scheme is not open to the criticism that Mr Wolman very properly levels at indirect benefits.

The Rolec scheme excludes indirect benefits to intermediaries such as the gift of view-data screens, the offer of sales conferences with a high leisure conlent and prize schemes. There is no intention of allowing maximum commission rates to be negated by permitting benefits on the side.

May I suggest that Mr Wolman is also not right in saying that brokers should be persuaded to spend time investigating new companies and products by the prospect of higher commission from them. It is a broker's duty to advise his client on the merits of competing policies. For this advice he receives e commission. That commission ought to finance continuing research about new products and companies irrespective of where the commission was earned from. If a broker considers that he must get back his research costs out of commission from the company or products concerned, there is a serious risk that his advice to the client will not be impartial.

Not all new companies and innovative products are the best available. To use the inducement of higher commission to promote the sale of those products which might not be marketeble successfully on merit is quite wrong. If a broker takes these higher commission rates for a product which he does not genuinely believe is the best for his client he is falling down on the best execution principle set out in the Government's White Paper on financial services.

May I also comment on the point that scheduled maximum commissions do not eliminate bias between types of policy? An endowment policy for a given sum insured is more valueble to a life office than a protection policy for the same sum. (Not unreasonably it normally carries a higher amount of commission.) On the other hand for a given premium a protection policy nearly always carries higher commission than on endowment policy. These points can be verified in the published Rolac schedules.

The Rolac offices believe that the public needs protection against the bidding up of commission by intermediaries of all kinds; and the use of commission to create a conflict of interest for intermediaries when a bed recommendation is remunerated better than a good one. Straight forward disclosure of commission to the client does not prevent either of these abuses. On the other hand having an industry maximum scale with effective rules does prevent them and that is the reason the Rolac offices support this approach. If some offices decide to exceed the maximum or to offer holidays and prizes, they should declare their commission and benefits in full, and compare them with the maximum scale. The public will then be on warning.

Malcolm Reid.
Aldermary House, Queen Street, EC4.

Late payment by retailers

From Mr M. Simons

Sir, — Current takeover rumours (some of which probably contain a grain of truth) which are swirling around such esteemed names as Boots, Cadbury Schweppes, Reckitt and Colman, Rowntree Mackintosh and others are distracting respective managements from running their domestic and overseas activities. Allied-Lyons are already subject to takeover attack with new chips from Monte Carlo.

There is little reason to believe that these well-known groups will be better run by Australians (who do not allow foreign bids for their companies) or by an American outfit from New York, or Los Angeles, or indeed by a London-based conglomerate.

Polarisation of control of consumer goods companies will inevitably lead to reduction in choice and to demotivation of management other than those hoping for preferment from new owners.

One reason why British food companies selling branded products are under pressure from predators is that some retailers who have become enormously powerful appear to me to be tardy in paying their suppliers. In addition, retailers supply own-label products which degrade manufacturing without burting retail profits. Inspection of the accounts of one major food retailer shows that fixed assets, accounting for 80 per cent of total assets, were only financed to the extent of 60 per cent by shareholders' funds. The latter accounted for less than 50 per cent of total funds with trade creditors providing a further 25 per cent, which represented 170 per cent of stocks. No wonder that such retailers are so profitable and are expanding epparently with funds obtained from their manufacturers with minimal use of loans and overdrafts. Such practices are putting another manufacturing industry at risk.

Institutional shareholders will do well to consider the longer-term interests of their surrogate companies, unless they themselves wish to raise the ire of their own investors.

Martin E. Simons,
24, Granard Ave, SW15.

Caution over Channel link

From Mr R. Bickford-Smith

Sir,—John Macdonald asserts (November 11) in relation to EuroRoute's potential bad-weather high-sided vehicle closure rate of 5 per cent "that is one day in 20."

Unfortunately, bad weather cannot be treated as suitable for statistical averaging over 365-day periods. High winds do not blow in the Channel for convenient 24-hour stretches spread through all the months of the year. It would therefore be rather more likely (whether or not one accepts the 5 per cent starting point) that for maybe half the year there would have to be closure periods of several hours or more at a time several times a week.

Such closures would be unpredictable for the purposes of would-be link-users; a much more unpalatable proposition altogether for freight transport.

Roger A. Bickford-Smith.
Condurrow, Gryllis Parc, Helston, Cornwall.

The menace of counterfeiting

From the Director, International Chamber of Commerce, UK

Sir,—Your report headed "Minister doubtful on law to protect trademarks" (November 7) was e fair statement on Mr Michael Howard's address at our international symposium on counterfeiting.

Unfortunately, the Minister did not stay to hear the criticism by several speakers of the Government's unwillingness to strengthen the criminal law and the resources of law enforcement to fight the growing menace of counterfeiting. By his own admission, counterfeiting is not only a threat to the owners of intellectual property (patents, trademarks and copyright), bnt it is also a threat to international trade and to employment. The Minister himself quoted the figure of 100,000 jobs lost to counterfeiting in the EEC alone.

It was ironical that, on the same day that the Government launched its law and order platform through the Queen's Speech, a speaker at our symposium implied that the UK was doing less to fight counterfeiting than the Government of Taiwan.

It is just as well that international business is doing all it can to help itself.

G. N. F. Wyburd.
103 New Oxford Street, WC1.

High-tech and high risk

Sir,—Lucy Kellaway (November 9) says that the USM, following disappointments, now eqnetes "high-tech" with high risks rather than with growth. Had the market read John Jewkes in 1972 it would have saved itself these disappointments, since he pointed out that the then-fashionable "high technologies"—aircraft, computers, and nuclear power—had high risk as their only distinguishing and common feature.

The phrase "high technology" is e very clear warning sign; if used by a technologist, it means he wants your money and has little understanding of business; if used by a businessman or politician, it means he wants your money and has little understanding of technology.

It is essential for the prosperous future of this country that we make better use of technology, but we must use it to generate wealth and not to consume it. Getting the right balance between technology and the other aspects of a business demands high skills from management and new understanding in the City.

(Dr) D. W. Budworth.
10, Sydney House, Woodstock Road, W4.

Buying back the silver?

From Professor D. Myddelton

Sir,—Economics never was Harold Macmillan's strong point, but if (as Lord Stockton) be now regards privatisation of state-owned assets as somehow dissipating the nation's wealth, would he advocate 100 per ceot nationalisation of all privately-owned property in order to add to it?

(Professor) D. R. Myddelton.
Cranfield School of Management, Cranfield, Beds.

FINANCIAL TIMES

Wednesday November 13 1985

Robert Thomson explains the philosophy behind Shanghai's new home-loan lotteries

China's high-rise hopefuls take a gamble

FOR CHINA'S masses, buying a home is now literally, a gamble with more than oaa million Shanghai residents eotering an "own-your-own-home" lottery. Not so long ago, buying a home was considered a downpayment on decadence.

The Government has turned to lotteries as a means of encouraging people to save for a home and is offering a prize of an average two-roomed apartment. It is all part of a pragmatic economic reform policy and serves the needs of a Chinese Government keen to encourage private saving as a means of providing funds for China's modernisation drive.

Loan lotteries started late last month in Shanghai and the Chinese newsagency Xinhua announced last night that 1.12m urban households in the city of just over 12m people had deposited a total of 72m yuan ($23m) in the hope of winning their own home.

Residents who open home-saving accounts are entitled to tickets in regular lottery draws which started in late October. The China *Daily* has reported that the keenest residents have opened multiple, long-term accounts to entitle themselves to multiple lottery tickets.

Cost is the overwhelming problem for a Chinese family wanting to own a home. The average two-room apartment is priced at about 18,000 yuan while the average urban worker earns about 750 yuan a year.

"If I could afford it, I would like to buy a home. Most Chinese would like to buy a home," said a friend who pays only about 5 yuan a month rent for his family lodgings in Peking.

According to government policy, an individual is allowed to buy a home but is not permitted to resell it, under a home ownership policy introduced in 1982 on an experimental basis. The programme has gathered speed in past months, with the Government realising that it does not have the money to build needed houses.

The Shanghai branch of the China Industrial and Commercial Bank is offering a special deal for home-savers who deposit more than 30 yuan a month over five years. At the end of the five years, the bank will give the depositors double what they have saved. Their work unit and central authorities are then supposed to provide further purchase subsidies of up to two thirds of the cost.

Even Deng Xiaoping, the Chinese leader, has encouraged home purchases, and has observed that "if the rent is too low, nobody will buy houses." That he should have given his imprimatur was a sign that buyers will not be considered "capitalist." However, the Government has yet to take the politically-sensitive step of pushing up housing rents.

Shanghai, in particular, faces a chronic housing shortage. City authorities estimate that about 470,000 couples will start married life living with their parents or friends.

The city's response has been to build high-rise flats in the style of a council estate, with little apparent research into the consequences of such high-density living in an already badly overcrowded city.

In Peking, city authorities are gradually knocking down old courtyard-style houses and replacing them with high-rise buildings. In Peking, residents have an average of eight square metres of living space, whereas in the most crowded section of Shanghai the figure is only two square metres.

Rental accomodation is allotted by the resident's work unit or by a central housing bureau, both of which have been accused of malpractice. The China Daily reports that some cadres have lined up homes for grandchildren only just born.

In the past year, the traditional housing distribution method has been condemned by some go-ahead officials as "violating economic laws." And a magazine, Peking Review, has reassured potential home buyers that the "system of subsidised sales of housing is in keeping with the socialist principle of economic distribution."

Lloyd's fines member record £1m

By John Moore, City Correspondent

A RECORD £1m ($1.41m) fine was imposed yesterday by the authorities of the Lloyd's insurance market in London on ona of its members at tha centre of a £40m scandal within the Lloyd's community.

Mr Ian Hay Davison, the Lloyd's chief executive who announced his surprise resignation this week, yesterday disclosed that Mr Peter Dixon, once the head of one of the largest underwriting agencies in the market, was to be fined £1m and expelled from Lloyd's.

Mr Davison said that Lloyd's papers relating to its investigation were with the office of Director of Public Prosecutions.

Mr Dixon has been living in Marbella, Spain, since Lloyd's first began its investigations in 1982 into a complex series of transactions that led to the diversioa of millions of pounds of funds belonging to 1,525 underwriting members.

Another man at the centre of the affair, Mr Peter Cameron-Webb, has avoided disciplinary actioa by the Lloyd's authorities as he resigned his membership of Lloyd's before the troubles emerged. Mr Cameron-Webb works oo the Lloyd's-style market in Florida, the Insurance Exchange of the Americas.

Mr Dixon and Mr Cameron-Webb have been described by a Lloyd's disciplinary committee as the "brains" behind a schame to divert millions of pounds of funds belonging to the underwriting members to reinsurance companies they secretly controlled in offshore centres such as Gibraltar, the Isle of Man and Guernsey.

In the disciplinary proceedings report, Mr Dixon is described as "a clever, dishonest, greedy and unscrupulous individual" who during a period of more than 10 years conducted his agency company at Lloyd's, PCW, "in a manner which represents a complete negatioa of those standards of professional honesty, good faith and rectituda" on which the reputation of Llolyd's rests.

The disciplinary proceedings detail how Mr Dixon used millions of pounds of funds belonging to underwriting members for his personal benefit. He used the members' cash for interest-free loans to buy a villa in the south of France; invest in land deals in Florida; invest in a Spanish orange-juice company and films and musical productions. He mada regular cash payments "in envelopes" to key members of staff.

Money was spent by his associates on skiing holidays, school fees, foreign travel and loans. In one instance, Mr Dixon, together with Mr Cameron-Wabb and an associate, invested in a bloodstock syndicate in the US using funds of the underwriting members.

News analysis, Page 10

London plan to privatise bank suffers setback in Scotland

BY MARK MEREDITH IN EDINBURGH AND DAVID LASCELLES IN LONDON

THE UK Government's plans to float off the Trustee Savings Bank (TSB) suffered a jolt yesterday when a Scottish judge ruled that the assets of the group's Scottish arm belong to its depositors.

The Treasury, which has prepared the £1bn ($1.41bn) flotation on the basis that they belong to the bank itself, immediately said it would appeal against the judgment in a case brought by Scottish depositors. Mrs Margaret Thatcher, the Prime Minister, also said in response to angry questions from Social Democrat Liberal Alliance and Labour MPs: "We shall be considering the judgment very carefully and will make a statement when we have done so."

The TSB itself acted quickly to remove any uncertainty caused by the judgment by saying it will go ahead with the flotation next February as planned.

Sir John Read, the TSB chairman, said last night: "We very much welcome the decision by the Treasury to seek an immediate appeal, and in the meantime plans for the TSB flotation continue." The TSB also said that the judgment was contrary to both the legal advice it had received and the views of the Treasury embodied in the 1984 White Paper (policy document) on tha TSB.

The TSB's ownership was the subject of lengthy legal debate because the group is neither a mutual nor a joint stock company. The White Paper deemed that the TSB owned itself.

In a long and complex judgment delivered in the Court of Sessions in Edinburgh, Lord Davidson ruled that TSB Scotland was an unincorporated association whose assets were the property of its depositors.

He said: "I am satisfied that the sole beneficiaries of the surplus assets are the depositors. Their fundamental right to participate in a share of the surplus after the closure of a bank has not been extinguished."

The ruling was a victory for a small group of depositors who have been challenging the TSB sale with the backing of the Scottish National Party. Mr Jim Ross, of the TSB Depositors' Association, said that the decision demonstrated that ownership should have been more thoroughly tested in law before the flotation went ahead.

Mr Ross said: "In all propriety I would have thought that the Government should announce at once that the flotation is off, aither for good if they simply cannot accept Lord Davidson's ruling or off until there is a final pronoumcement by the court, whatever the Government chooses to regard as a final pronouncement."

However, the decision to continue with the sale yesterday was based on the fact thet ownership of the TSB is established by the TSB Act, and potential investors in the group are not at risk from the Scottish judgment. If the Scottish depositors win all the appeals, the Government would have to pay compensation for depriving them of their property.

The Government could still delay the sale by postponing the vesting of the TSB's assets in the new company that is to be floated, but that would depend on how loud a political furore the Scottish decision causes.

In Parliament yesterday, MPs accused Mrs Margaret Thatcher of misleading the House of Commons over the TSB.

News analysis, Page 10; See Lex

UK unveils £14bn assets sale

Continued from Page 1

nounced that spending by government departments in the 1986-87 financial year which begins next April would be held to the planned total of £139bn. For the following two years the figures are £143.9ba and £148.7bn respectively.

Since asset sales count as negative spending rather than revenues, actual spending will be higher than implied by the totals. When the targets for the 1986-87 and 1987-88 were first drawn up asset sales were projected at only about £2bn in each year.

Mr Lawsoa also announced that £1.5bn of the £6bn contingency reserve pencilled in for next year has now been allocated to specific spending programmes, leaving the reserve some £500m below tha £5bn this year.

If no adjustment is made for the asset sales, departmental spending is seen falling in real terms by ½ per cent between 1985-86 and 1988-89. But if the proceeds of privatisation are excluded then spending increases by 0.8 per cent over the same period.

Mr Lawson emphasised that on either calculation public spending would fall as a proportion of national income over the next few years.

"The framework of public expenditure control which it (the statement) sets out should allow scope for considered and justified reductions in the burden of taxation. And these in turn will further reinforce the economy's flexibility and dynamism," he said.

He conceded, however, that the fall in oil revenues resulting from sterling's rise against the dollar and lower oil prices on world market's would push up public borrowing this year. He forecast that the public sector borrowing requirement in 1985-86 would now total £8ba against the £7bn target set in the budget in March this year.

At the same time if the trend in public spending is measured from 1983-84 – before departmental outlays were boosted by the miners' strike – spending is shown as rising by more than 3 per cent in real terms in the five years to 1988-89.

In the breakdown of spending plans released yesterday the main increases above previously announced plans are concentrated in the fields of social security, health and housing.

Jaruzelski ousts a hardline rival

Continued from Page 1

formers who sought to democratise the party. Soviet diplomats were heard to mutter that if the Polish leadership under the hapless party leader, Mr Stanislaw Kania, did not crack down on Solidarity soon, there were others who would. It was widely assumed in Poland at the time that Mr Olszowski would be put in power by Moscow as a last resort before any direct Soviet intervention.

In the event, however, Mr Jaruzelski did the job and reappointed Mr Olszowski to be Foreign Minister, a not overly rewarding post in the light of Poland's continuing domestic crisis.

In tandem with Mr Olszowski's ousting this week, the Politburo approved the resignation of Mr Kazimierz Barcikowski as the central committee secretary responsible for the economy. The ailing Politburo official is regarded as a moderate and was appointed only last week to be a deputy chairman of the Council of State, the collective presidency now headed by Gen Jaruzelski.

These balanced moves were in the post-war tradition of Polish Communist leaders seeking a middle ground and were designed to assuage hardliners who had attacked the party economic reforms.

The removal last week as Deputy Prime Minister of Mr Mieczyslaw Rakowski, the reform-minded aide to Gen Jaruzelski, may well presage moves to get him into the Politburo at the party congress next spring.

Mr Rakowski, whose liberal past as the editor of the newspaper Polityka made him many enemies among hardliners, would have been voted down by Mr Olszowski, his chief detractor.

Gen Jaruzelski's lofty new position brings with it another tangible benefit. He will be able to shuffle ministers and even prime ministers if necessary, much as a French president does, without it affecting his own person.

Sudan and IMF agree on policy reforms

By John Murray Brown in Khartoum

SUDAN and the International Monetary Fund have reached agreement on policy reforms, the first step towards resolving the country's $9bo debt crisis. The Council of Ministers in Khartoum is expected to ratify the agreement later this week.

The IMF earlier had extended to Jannary the grace period allowed for the repayment of $190m, the outstanding arrears to the IMF. The US and various Arab donors, led by Saudi Arabia, are now expected to release funds to pay off the arrears, paving the way for another standby loan from the IMF.

Few details of the policy reforms have emerged but a devaluation of the Sudanese pound has been ruled out. With Sudan's export markets depressed, partly as a result of the devastating effect of the famine on the agricultural sector, which last year provided more than 80 per cent of export revenues, such a move is considered counter productive. The IMF is believed to favour measures to reduce the S£1bn ($400m) budget deficit.

Earlier IMF-approved reforms are coming under increasing pressure from Sudanese unions. Last month's income tax increases, which followed the dismantling of the *zakat* tax system used under the former regime, have prompted widespread strikes by workers at Kenana, the world's largest sugar plantation, dockers in Port Sudan and teachers. A senior trade union leader said he expected other major unions to follow suit.

Southern rebels meanwhile have agreed to send a delegation to Khartoum later this month in an effort to end the country's protracted civil war which has split the country along broadly religious lines, with the Moslems in the seats of power in the north and the Christians in the south.

The move follows earlier contacts in Addis Ababa between Col John Garang, the rebel leader, and members of the Trade Union Alliance. Col Garang set no preconditions to talks.

French answer to Fannie Mae

Continued from Page 1

mission, Commissariat à l'Energie Atomique (CEA), is making its first foray on to the French bond market with a FFr 500m issue of non-voting loan stock (*titres participatifs*) in December. The issue will be made by the CEA's industrial subsidiary, CEA Industrie, with a yield depending partly on the concern's financial results. The issue is convertible into non-voting preference shares (*certificates d'investissements*) in 1989 and 1990.

THE LEX COLUMN

Oiling the way for tax cuts

If the British financial institutions share Lord Stockton's qualms about selling the Treasury silverware, it was not showing it yesterday, even though the £14bn of asset sales lined up for the next three years amounts to quite a lot of spoons. For the gilt-edged market, which can readily subtract equity sales from the debt that would otherwise be coming its way, silver linings are very much in fashion; although nobody really takes seriously an inflation forecast of less than 4 per cent in the last quarter of 1986, real growth of 3 per cent is plausible enough to be comforting for equities.

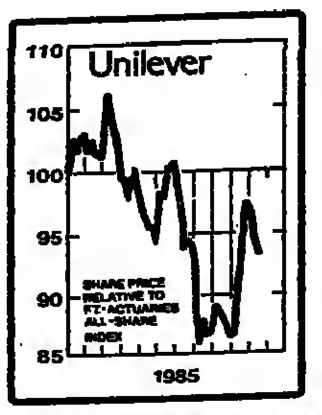
Experience does not encourage belief that the Chancellor of the Excequer can finally stop the growth in spending, either absolutely or as a proportion of GDP; excluding the asset sales, next year's planning total is still 44 per cent of GDP, the same as it was six years ago. But asset sales of £5bn next year (give or take the odd million) should give the advertised scope for tax cuts, which is surely what the City of London wants of a pre-election budget.

Where the budgetary calculations could go awry is in the revenue side which has yet to be addressed. As usual, tha Chancellor of the Exchequer has to acknowledge weakness in the oil market, while assuming that oil revenues can be maintained. Given an average winter, there is no reason why the Treasury should not be playing with assumptions of a $26 oil price when it does its arithmetic next February. If a spring price collapse were then to ensue, the shortfall in revenue might not be wholly unwelcome; back-door reflation on the way to the hustings.

Where a tumbling energy price would leave the flotation of British Gas is another matter; a squeeze on the corporation's margins would be make grim reading in the prospectus. But perhaps it will not matter so long as the shares can be sold on a lower yield than old-fashioned government debt.

Unilever

Quarterly trading statements may provide little guide to the great changes taking place at Unilever, symbolised by the ill-starred tilt at Richardson-Vicks. But in turning in third-quarter profits before tax up 8 per cent to £265m, Unilever gave the market no reason to mark down the shares after their tremendous run. They closed unchanged at £11¾.



If there is a message from those figures, it is not so much the continued volume growth in Europe and the Third World, but some glimmers of hope in the US. Something would be very wrong indeed at Lever Bros if heavy promotional spending did not produce double-figure sales growth in the US; and thanks to a temporary ceasefire with Procter & Gamble in liquid detergents, Lever's third-quarter losses have been cut back sharply – and would have been lower at current rather than end-1984 exchange rates. However, the outlook remains tough for the indefinite future and makes the loss of Richardson-Vicks aid in personal products – to Procter of all people – all the more bitter.

Forecasting even this year's full result is extremely hard, given the scale of the foreign-exchange loss and the usual fourth-quarter provisions; but the market is not very concerned whether Unilever makes £925m for the year or £10m less. What is awaited is a sign that the disposal of well over £1bn in unprofitable turnover – including much of the European oil-milling business – is working through to profit. After all, Unilever is rated in London at only eight times a modest earnings assumption for 1986.

Brewers

Yesterday's report from the UK Monopolies Commission on the Scottish & Newcastle bid for Matthew Brown has gone a long way to squaring the circle. In opening the gates of regional brewing to S & N, the commission pulled up the drawbridge at least halfway against the other five majors; and those regionals such as Vaux, Greene King and Wolverhampton and Dudley promptly shed bid premiums of up to 10 per cent of their market value.

In recognising S & N's rather uncomfortable position – too few tied public houses for a major, too many for a regional – the commission merely confirmed what the market has been reading from S & N's trading statement. But any attempt to place a total ban on the five majors acquiring regionals would be illogical: as Matthew Brown itself argued, S & N would need to buy several regionals to enjoy a tied estate to match the likes of Bass and Whitbread, which can hardly be the point at all. And if there is special treatment for S & N, why not for Elders?

Having failed to turn up any general principles, the commission has more or less admitted it must look at takeovers case by case. The argument for reference was never very strong in the first place, but the commission has found – to its evident relief – an oasis of competition in the free trade in the north-west of England. A bid from S & N now looks very much on the cards, though the company will have to pay tha best part of £2 a share above the original offer's value to have a chance of succeeding.

TSB hitch

To say that nobody owned the TSB always seemed peculiar. Admittedly, this decision offered the TSB an unusual chance to strengthen its balance sheet by pocketing the proceeds of its own flotation, thus making it easier to sell the shares. And it may even turn out to have been legally well-founded. From the outset, however, the all-commonsensical nature of the Government's choice has exposed the TSB issue to obstruction in the courts; a judgment that some of the constituent banks were owned by their depositors has now been duly handed down.

The odds are that this will make no difference to the progress of the flotation. The company being floated will have no liability to hand back the sale consideration in the event of the Treasury conceding ultimate legal defeat; that onus would be on the Government. So the only risk prospective shareholders have to worry about is that the Government could get cold feet before February and decide not to vest the TSB assets in the newly-formed plc; a few TSB account holders around the City of London might then wonder if their token deposits – just there for the pink forms – would have been better employed elsewhere. But the TSB Act apparently requires the Treasury to act eventually, so the sale must take place in the end.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	18	64	Dubrovnik	R	18	64	Malaga	F	22	72	Salzburg	—	—	—
Alexand'	S	23	73	Faro	F	19	66	Malta	S	24	75	Seoul	C	14	57
Algiers	S	23	73	Florence	C	13	55	Manila	S	34	93	Singapore	F	29	84
Amsterdam	F	6	43	Frankfurt	S	4	39	Miami	C	28	82	Stockholm	C	2	36
Athens	S	20	68	Funchal	F	18	66	Milan	R	8	46	Strasbourg	S	5	41
Bahrain	S	29	84	Geneva	F	5	41	Moscow	C	2	36	Sydney	C	20	68
Bangkok	S	30	86	Gibraltar	F	20	68	Munich	F	3	37	Taipei	F	25	77
Barcelona	T	10	50	Guernsey	F	5	41	Nairobi	—	—	—	Tangier	C	20	68
Beirut	F	21	70	Helsinki	Sn	1	34	Naples	F	22	72	Tehran	—	—	—
Belgrade	F	6	43	H. Kong	F	26	79	New Delhi	S	23	73	Tel Aviv	F	22	72
Berlin	C	4	39	Innsbruck	—	—	—	New York	C	15	59	Tenerife	—	—	—
Biarritz	C	4	39	Inverness	C	4	39	Nice	R	13	55	Tokyo	S	19	66
Blackpool	S	5	41	Istanbul	S	18	64	Oporto	C	10	50	Toronto	C	1	34
Bordeaux	F	7	45	Jersey	F	6	43	Oslo	F	7	45	Tunis	S	26	79
Brussels	F	3	37	Jo'burg	S	24	75	Paris	F	5	41	Valencia	F	18	64
Budapest	C	5	41	Las Palmas	C	22	72	Prague	F	3	37	Venice	F	11	52
B. Aires	C	23	73	Lima	F	21	70	Reykjavik	R	3	37	Vienna	C	5	41
Cairo	C	24	75	Lisbon	F	14	57	Rio de J'o	S	36	97	Warsaw	C	3	37
Cape Town	S	28	82	Locarno	C	6	43	Rome	F	21	70	Zurich	F	3	37
Caracas	C	28	82	London	S	5	41								
Casablanca	C	21	70	Los Angeles	F	15	59								
Copenhagen	C	6	43	Luxembourg	S	1	34								
Corfu	C	21	70	Madrid	F	19	66								
Dublin	C	6	43	Majorca	C	22	72								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US begins export finance battle

Continued from Page 1

● Gas turbines worth $30m for Damodar Valley power project in Bihar state, India. Eximbank is supporting General Electric against Alsthom of France and John Brown Engineering of the UK, both of which have already made mixed credit offers.

● Computer systems, technology and components and technical assistance worth $27m to Electronics Corporation of India. The negotiations for this offer have reached the stage of intensity, says Mr Draper, and Control Data of Edina, Minnesota, hopes to snatch the deal from CII Bull of France, which has also made a mixed credit offer.

India has recently adopted policies to encourage high-technology imports, and potential follow-on orders are substantial, Eximbank said.

● 26 diesel electric locomotives worth about $20m. The US company, General Motors, is in the bidding against several suppliers from France, the UK and Japan, all of whom have made mixed credit offers. The French and Japanese are considered to be the main competition for the contract, and the US supplier is attempting to penetrate a new market.

● Supply and installation of $12m worth of airport equipment. The US bidder is Calmaquip Engineering. Thomson-CSF of France and Sadelmi of Italy have both made offers which Exim believes are probably mixed credit offers.

Eximbank officials by no means expect to seal all these deals, but they seem determined to try to frighten the French to the bargaining table in OECD negotiations next month.

Mr Draper said he had not had any direct reaction from the French except for a luncheon invitation by the French economic counsellor in Washington. "He was looking for information, and I was looking for reaction," Mr Draper said.

FINANCIAL TIMES
Wednesday November 13 1985

Restructuring costs put Black & Decker in loss

BY TERRY DODSWORTH IN NEW YORK

BLACK AND DECKER, the US electric hand tool manufacturer, is setting aside $205.3m to fund the cost of radical capacity cuts in many of its operations.

The after-tax charge, coming after a period of mounting imports, sluggish sales and slack factory operations, plunged the company into a $158.4m net loss in its fiscal year to September and of $195.1m in the final quarter.

These figures compare with record earnings of $95.4m, or $1.95 a share, last year and profits of $24.5m, or 48 cents, in the last quarter of fiscal 1984.

Excluding the cost of restructuring, net earnings amounted to $46.9m, a 51 per cent decline on last year.

Sales for the year increased to $1.7bn from $1.5bn but slipped in the quarter to $454m from $483m.

The difficult trading conditions Black and Decker has faced over the last year were underlined by price increases which came to only 1 per cent and a decline of 1 per cent in the unit volume of sales. Currency readjustments reduced reported sales by 5 per cent.

Mr Laurence Farley, chairman, said slack markets had led to widespread underused capacity, a trend exacerbated by significant gains in manufacturing productivity.

"Lower than expected sales growth and forecasted future productivity improvements have resulted in excess plant capacity and unacceptably high fixed costs," he said.

Black and Decker plans to tackle these problems by plant "realignment," which will include some closures and revised production shifts to be announced over the next few months.

The company owns 24 manufacturing facilities in 13 countries, apart from two US factories in the process of closing.

Belzbergs sell stake back to Potlatch

By William Hall in New York

POTLATCH, the US West Coast forest products group, yesterday bought back the 7.1 per cent stake held by First City Financial, the financial services group controlled by Canada's Belzberg family.

Potlatch bought back the 1.1m shares at $43 a share as part of a general repurchase programme which it announced earlier this week in a bid to block a hostile $45-a-share offer from the Belzbergs. Potlatch shares dropped sharply yesterday morning following the announcement of the deal, and by mid-day they were trading down $3⅝ at $36⅝.

Potlatch bought back a total of 2.4m shares at an average price of $42.75. Mr Richard Madden, chairman, says the repurchase plan "by allowing stockholders with short-term goals to sell out frustrated the efforts of First City to acquire control of the company at a price that the Potlatch board felt was inadequate and at a time the board determined was a poor one to sell the company."

HOW THE FRENCH DRINKS GROUP IS DIVERSIFYING INTO BROADER MARKETS

Pernod's taste for expansion

BY DAVID HOUSEGO IN PARIS

PERNOD-RICARD, the French spirits and soft drinks group which was a star stock of the Paris bourse in 1983, has been recovering its stride after last year's unexpected stumble.

First-half trading profits were up 10.4 per cent to FFr 412m ($51.5m) after falling by 6.6 per cent in 1984.

This is none the less below the group's average performance over the past decade in which it boosted trading profits by a yearly 13.5 per cent and net consolidated profits by an average 17.5 per cent.

Pernod-Ricard has also announced a series of acquisitions and tie-ups designed to strengthen its liquor sales abroad and deepen its penetration of the French wine market. The group had a turnover of FFr 6.6bn last year exclusive of tax and duties.

Since Mr Patrick Ricard became chairman seven years ago, Pernod-Ricard's strategy has increasingly been to diversify out of spirit sales in France by boosting its share of the soft drinks market and expanding spirits and soft drinks sales abroad.

Thus, spirits sales – largely the aniseed-based drinks on which the Pernod and Ricard families made their names – declined from 62 per cent of group turnover in 1974 to 43 per cent last year.

Pernod-Ricard recently signed agreements with Heublein, the US spirits and speciality food group, that will give it access to the Japanese and Brazilian markets and wider US distribution.

Heublein, known for its Kentucky Fried Chicken operations and Smirnoff Vodka, is controlled by R.J. Reynolds, the cigarette manufacturer.

Mr Thierry Jacquillat, Pernod's managing director, says Heublein approached the group a year ago with proposals for an extensive tie-up in the US with Pernod's American subsidiary Austin Nichols, the spirits distributor and producer of Wild Turkey Bourbon.

This failed to materialise, but the two groups decided they had world-wide similarities which they could exploit.

Patrick Ricard – diversifying

Pernod has taken a 15 per cent stake in Heublein Japan in which Mitsubishi is also a partner, giving it the possibility for the first time of marketing its products – including Wild Turkey and Bisquit brandy – in Japan.

In Brazil, where Pernod has been weak, it has bought a 30 per cent stake in Heublein Industria e Commercia, Brazil's leading spirit distributors.

In the US, Heublein, with a distribution network 10 times larger than that of Austin Nichols, will market Pernod, Wild Turkey and Bisquit brandy for the Pernod group. As a result Pernod is scrapping the Austin Nichols sales network with a $4m saving.

Pernod-Ricard believes the tie-up with Heublein will boost its future foreign spirits sales by 5 per cent to 10 per cent in volume

Foreign liquor sales account for 19 per cent of group turnover, compared with 13 per cent in 1974.

The tie-up comes at a time when the group has had what Mr Ricard describes as "overall satisfactory" results from its market tests of Orangina in New York, Arizona, Washington and Canada.

Pernod bought the Orangina trademark from a French group in 1984. Mr Ricard's goal is to make it a worldwide brand name over the next 20 years – an ambition he is backing with a marketing campaign costing about $3.5m a year.

The market tests in the US – and similar campaigns being conducted by Bulmer in Britain – are the first shots in a battle that will pitch him against the big US soft drinks groups.

Orangina has 12 per cent fruit juice – distinguishing it from most US soft drinks and appealing to the growing natural foods market.

In Europe, Pernod-Ricard has made two other strides. Through its export subsidiary Société pour l'Exportation de Grandes Marques (SEGM) it has bought (for an undisclosed sum) the distributor and aperitif producer Ramazzotti.

Ramazzotti made profits of FFr 10m last year on a turnover of FFr 300m. It has also created a joint venture with Deinhard of West Germany to market its Pernod, Ricard, Bisquit and Dubonnet products in West Germany.

The recent move which does not tie in with this international strategy is Pernod's purchase of an additional 45 per cent stake in Société des Vins de France (SVF) – France's leading table wine group – giving it 90 per cent of the capital.

SVF has sales of about FFr 1.5bn, making it the largest subsidiary in the Pernod group in turnover terms.

Mr Ricard says the original plan was to pull out of SVF and that the group tried to sell its holding in 1976.

"But instead of withdrawing, we ended up by being the main shareholder." This year Pernod paid FFr 45m for the second tranche.

Two events made the group change its mind. The first was the collapse of its original partner Sapvin, a Marseilles trading group, which left Pernod to shoulder the management.

The second was that, after three years of running the company, Pernod is convinced it can be made profitable. Volume sales rose by 2 per cent or 3 per cent last year though the French market declined.

Pernod is now applying the marketing techniques to table wines that it has used with its other products. It has brought in brand-names such as Carre de Vigne and new packaging.

It invested FFr 42m in new production and distribution facilities last year, is likely to invest up to FFr 70m this year and is streamlining SVF's supply and servicing network.

Already SVF's share of the French table wine market has climbed from 5.8 per cent in 1981 to 8 per cent this year.

Last year's group results with consolidated profits down 7.8 per cent to FFr 396m were affected by factors ranging from the bad summer weather in Europe to the high dollar cost of the fruit juice input for Orangina and to extensive marketing outlays.

The first-half pickup has been broadly based, with the group expecting that 1985 results will be in line with the first six months' performance.

The pickup in results – coupled with a pickup in the share price which rose to FFr 746 yesterday after a year low of FFr 631 – helped spark recent rumours on the Paris bourse of a takeover of the company.

Candidates mentioned included R.J. Reynolds and Coca-Cola (for which Pernod is French distributor).

But officials in the company believe the shares are too closely held by family interests and French institutions for a takeover bid to succeed and that in any case the French Treasury would not permit it.

However, the group has many strings to its bow in terms of product range and the extent of its international interests.

In France it holds two thirds of the market in aniseed-based spirits and leads the market in soft drinks

South African coal group's profits rise

By Kenneth Marston, Mining Editor

A BUOYANT first half of the current year to March has been reported by Anglo American Coal Corporation (Amcoal) of South Africa. The interim dividend is lifted to 80 cents from 62.5 cents a year ago

Pre-tax profits for the half-year rose by 61 per cent to R229.8m from R142.8m ($85.8m). After a tax charge increased by the last South African budget, net profits come out at R100.7m, equal to 412.1 cents a share, against R69.3m.

Amcoal says that despite uncertainty developing in the international coal market and the volatile dollar-rand exchange rate, earnings for the full year are forecast to show satisfactory growth. The rate of increase in second-half earnings is expected to be less than that seen in the first six months.

Steel recovery fuels Salzgitter upturn

BY RUPERT CORNWELL IN BONN

SALZGITTER, the West German state-owned steel, shipbuilding and manufacturing group, is hoping to cut its loss for the financial year which ended on September 30 to about DM 80m ($30.4m) from DM 422m in 1983-84 and a record DM 712m in 1982-83.

These figures emerged from company officials yesterday as Salzgitter reported a 12.6 per cent rise in group sales in the first nine months to DM 9.18bn.

The upturn stems above all from the group's steel activities. It is understood that the likely final deficit for 1984-85 reflects the enduring problems of shipbuilding and some of the group's diversified manufacturing activities.

Salzgitter's large steel unit, Peine Salzgitter, achieved a 19 per cent growth in sales to DM 2.29bn, further proof of the happier conditions for the West German steel industry.

Output of crude steel jumped 13 per cent to 2.9m tonnes in the first nine months while production of rolled steel advanced 19 per cent to 2.6m tonnes.

The improvement is also the fruit of a vigorous cost-cutting campaign by Salzgitter, which lifted productivity in the steel division by 20 per cent.

By mid-1985, the total workforce was down a further 822 to 43,880. However, Mr Ernst Pieper, Salzgitter's chief executive, warned earlier this year that the group was still carrying 5,000 surplus jobs.

Some signs of better times are also discernible at Howaldtswerke-Deutsche Werft (HDW), Salzgitter's main shipbuilding subsidiary. Its order book had risen to DM 2.7bn at the end of June 1985 from DM 2.3bn at the start of the financial year.

US retailers show sharply higher profits

By Our Financial Staff

SHARPLY HIGHER profits are reported by two leading US retailers.

Wal-Mart Stores, the second biggest US discount store chain, has boosted third-quarter net earnings by a fifth, from $58.8m to $70.9m, which lifts nine-month earnings also by a fifth, from $161.4m to $194.4m.

At the per-share level, earnings equalled 69 cents against 57 cents for the nine months and 25 cents against 21 cents for the latest quarter.

Revenues of the fast-expanding group, which operates mainly in rural areas from South Carolina to Texas, registered a gain of 32 per cent in the quarter, from $1.58bn to $2.09bn, and an increase of 31 per cent over the nine months, from $4.33bn to $5.68bn.

Growth at The Limited, the Columbus, Ohio, women's clothing chain, was even more dynamic. Net earnings for the third quarter jumped by 48 per cent, from $28.4m to $42.1m, or from 24 cents to 35 cents a share.

This lifted nine-month earnings by 51 per cent, from $909.4m, or 49 cents a share, to $89.2m, or 74 cents.

Sales for the latest three months soared by 76 per cent, from $348.6m to $613.3m, boosting nine-month returns by a similar amount from $909.4m to $1.6bn.

US expansion for Bekaert

By Ivo Dawnay in Brussels

BEKAERT, the Belgian steel wire products group, has taken a 32 per cent stake in Airpol, a New Jersey, US, company specialising in air pollution control and wet gas cleaning equipment.

At the same time, it has agreed an exclusive distribution deal with Southwall Technologies of California to market its coating technology in Europe.

The two moves come as part of Bekaert's diversification strategy aimed at strengthening the company's presence in four key sectors – filtration, composite materials, fibres and bar-code identification and recognition systems.

The Belgian company, Europe's largest independent wiremaker, reported sales of BFr 47.6bn ($896m) last year, a 30 per cent rise on 1983, lifting net profits from BFr 1.7bn to BFr 2.8bn.

Minebea expects 35% drop in annual profits

BY CARLA RAPOPORT IN TOKYO

MINEBEA, the precision ball-bearing company currently the object of a hostile takeover attempt, achieved a 23 per cent increase in pre-tax profits for the half year ended last September but said profits in the full year were expected to drop by around 35 per cent.

With sales up by 11.9 per cent to Y146bn ($712m), pre-tax profits were up to Y11.28bn, in the half year. The forecast fall in the full year is due to the slump in the personal computer and electronics sector which, in turn, has dampened demand for precision ball-bearings.

None the less, Minebea expects to increase its annual dividend by Y2 to Y11.50. Japanese companies are generally reluctant to increase payouts, and most investors hold on to their shares for capital gains as opposed to dividend income.

In recent months, however, Minebea has become the target of a hostile takeover attempt by a US-UK consortium. The bid, which has yet to be circulated to shareholders, will allegedly offer Minebea investors the equivalent of Y900 a share. This compares with yesterday's price of Y750, down Y5. The company reaffirmed yesterday that it intended to resist the bid vigorously.

Minebea intends to improve its operating performance by expanding capacity in Thailand to reduce production costs further, increase its pace of acquisitions in the US to assure future growth and rationalise its less profitable divisions.

Net income for the half year rose 24.6 per cent to Y5.6bn while earnings per share went up to Y26.9 from Y21.38.

Suchard aims new issue at foreigners

By Peter Montagnon, Euromarkets Correspondent

JACOBS SUCHARD, the Swiss confectionery, coffee and food concern, is raising about SFr 140m through the sale of 175,000 new bearer participation certificates in the Euromarket.

The issue, which will increase the company's issued capital by about 4.5 per cent, is led by UBS (Securities) and will be priced today at the closing level for the company's certificates in Zurich. Yesterday they closed at SFr 826.

Jacobs Suchard hopes the issue will broaden the appeal of its equity to international institutional investors, who have recently been showing strong interest in the Swiss stock market as it has strengthened. Several other Swiss companies have profited from this to make similar issues.

Separately, Swiss Bank Corporation and Deutsche Bank are placing privately 7m shares in Fanuc, the Japanese industrial electronics company affiliated to Fujitsu. The shares, formerly held by Siemens, will be sold at Y7,100, giving total proceeds of Y49.7bn. The price represents a discount on yesterday's Y7,630 closing price in Tokyo.

● Copenhagen Handelsbank has become the first Danish bank to organise a Eurocommercial paper programme. Yesterday it signed a $200m programme with Citicorp and First Chicago. Proceeds would increase funding potential, the bank said in a statement.

Eurobond market fails to match up to New York's early promise

BY MAGGIE URRY IN LONDON

EURODOLLAR bond prices rose yesterday in the wake of a firmer opening in the New York bond market and hopes of a cut in US interest rates. But the Eurobond market lagged behind New York's gains, making it difficult for issue managers to attract borrowers to this market.

The only fixed-rate issue to appear – for Toshiba, the Japanese electrical group – is largely destined for Far East investors, though part may be placed in Europe. The $100m 10-year issue has a 10⅛ per cent coupon and 101¼ issue price.

With fees of 2 per cent, the borrower's cost was 42 basis points above the US Treasury yield curve. This is a higher spread than used to prevail for these "sushi" bonds and suggests that Japanese interest in dollar issues has waned. The issue, led by Nomura International, was trading around 99½

An issue with equity warrants for Sumitomo Realty and Development met strong demand and was trading above 103. The $100m five-year bonds come with warrants to buy shares at an indicated premium of 2½ per cent. Lead manager Daiwa Europe indicated a coupon of 5⅞ per cent.

An unusual floating-rate issue was launched for Nippon Credit Bank, by Morgan Guaranty. This $100m 10-year deal pays interest at ⅛ per cent above the one-month London inter-bank offered rate (Libor) but with an interest-rate cap of 12 per cent. This is the highest nominal spread available in this sector of the market, but the cap means that if one-month Libor exceeds 11⅞ per cent the margin begins to be eaten away.

BHF Bank bond average		
Nov 12		Previous
104.170		104.332
High	1985	Low
105.603		98.840

Traders said there was demand for the paper but that it would appeal to only a limited number of investors. It closed at 99.70, well within the 55 basis point fees.

Den Danske Provinsbank, the fourth largest bank in Denmark, is raising $60m through a 15-year floater led by S. G. Warburg. This pays interest at ⅛ per cent above the mean rate between Libor and Libid, with commissions of 70 basis points. Investors have a put option after 12 years, and the borrower can call the issue after June 1991. The deal was trading inside the fees.

Banque Paribas has increased the floater issue for Lincoln Savings, launched last week, from $250m to $275m because of good demand.

The D-Mark market is bracing itself for a DM 1.2bn floater issue for Malaysia, under the sole lead management of CSFB-Effectenbank. Terms for the 20-year issue are expected to be a coupon of a 10 basis point spread over three-month Libor, with front-end fees around 60 basis points.

The fixed-rate D-Mark market was slightly weaker in low activity yesterday, though sentiment improved towards the close as the New York market rose.

Crédit Lyonnais launched European Telecommunications Satellite, Eutelsat, in the European currency unit bond market for Ecu 60m. The bonds mature in January 1993 but have a five-year average life. The coupon was set at 9 per cent and issue price at 100¾. The bonds were trading around 99½, inside the 1¼ per cent selling concession.

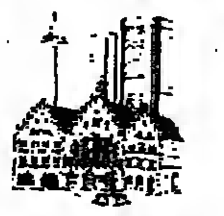
Remy Martin's name is well liked by investors, and its FFr 250m five-year issue was a five-star success. The coupon is 10⅞ per cent and issue price 100¼. Lead manager is Crédit Commercial de France, and the bonds were trading around the issue price.

The lowest coupon yet seen in the Danish krone market was awarded to a DKr 300m seven-year deal for Finance for Danish Industry. Den Danske Bank set the coupon at 9⅝ per cent and issue price at par. The bonds were trading just inside the 1⅞ per cent fees.

In the Swiss franc foreign bond market, UBS indicated terms for a SFr 100m public issue for Shikoku Electric Power. The maturity will be eight to 10 years with the yield indicated at 5⅛ per cent.

The secondary market for Swiss franc bonds was quiet, with prices slightly firmer where changed. Asian Development Bank's SFr 100m 25-year issue with a 6 per cent coupon ended its first day's trading at 99½ compared with its par issue price. Investors were prepared to accept the long maturity to look into the higher yield, traders said.

International bond service, Page 30



INTL. COMPANIES and FINANCE

New lease of life for East Rand mine

By Kenneth Marston in London

FINANCING PLANS including a R50m ($18.5m) rights issue have been announced to expand South Africa's veteran East Rand Proprietary Mines, which have been producing gold since 1908. The proposals hinge on sinking a new shaft system in the unmined south-eastern area of the Central Rand property.

It will make available about 34m tonnes of ore with a gold recovery grade of about 5 g a tonne compared with 3.86 g in the existing workings. It is estimated that the new area will boost the mine's total production capacity to about 850 tonnes of gold – more than South Africa's total annual output – over the next 50 years.

The new shaft will increase the mine's present annual ore tonnage milled from 2.8m tonnes to 4m tonnes by 1990. It will mean reduced production costs, create 7,000 more jobs and enable payment of dividends to be resumed in 1989.

By the end of this year about R42m will have been spent on the new shaft complex and around R231m will have to be spent over the next five years to complete it. Of this, at least R20m will come from state assistance. The rest will come from interest-subsidised loans guaranteed by the Government up to a maximum of R200m, plus the rights issue proceeds.

Boeing takes lead in race to buy De Havilland of Canada

BY ROBERT GIBBENS IN MONTREAL

BOEING Company has provisionally put in its bid for the government-owned De Havilland Aircraft of Canada, a builder of Stol (short take-off and landing) and commuter aircraft, but has not disclosed details.

Boeing is the leading contender for DHC, but Mr Justus Dornier, the West German businessman, has made a C$300m (US$218m) offer for both DHC and the other Canadian airframe builder, Canadair, in Montreal, also government-owned.

A late bid for DHC has been entered by a consortium of Fokker of the Netherlands and Versatile, a major Canadian industrial and defence products group.

Boeing is believed to have committed itself to maintain DHC employment in Toronto at the present 4,200 and develop the business. It wants to integrate DHC aircraft to its world marketing system and position itself to win major re-equipment orders from Air Canada.

Ottawa has put C$750m into DHC to help it survive after the 1982 world recession, and it is returning to profitability with the upswing in the commuter aircraft market.

Fokker-Versatile would diversify the DHC line away from the Dash-8 commuter aircraft and update the smaller Otter.

Reports persist that the Government may decide to take Canadair off the market. The company complains that the uncertainty is affecting its operations. It makes the Challenger business jet and defence products, some in co-operation with Dornier of West Germany.

A consortium of four Canadian companies headed by Fleet Aerospace Corporation of Toronto has made an approach for Canadair. Fleet makes aircraft parts and defence products and is linked with Messerschmitt-Bölkow-Blohm of West Germany in making light helicopters in Ontario.

Mr Paul Marshall, president of Canada Development Investments Corporation, the federal agency owning DHC and Canadair, said the final decisions on the potential sales were up to the federal Cabinet.

Rail problems hit Canadian Pacific

BY OUR MONTREAL CORRESPONDENT

CANADIAN PACIFIC had sharply lower third-quarter and nine-month profits due mainly to problems with its rail subsidiary and other transport interests. A smaller contribution from 70 per cent owned Canadian Pacific Enterprises, the industrial and resources group, was also a factor.

CP Rail turned in third-quarter earnings of C$18.8m (US$13.8m) against C$65.4m and in the nine months C$77.9m against C$146.7m, because of a sharp decline in grain traffic and a weakness in coal movements.

Overall the group had third-quarter net profit of C$53.9m, or 25 cents a share, against C$129.7m, or 60 cents, on revenues of C$3.6bn against C$3.7bn. Nine-month profit was C$185.8m, or 91 cents, against C$260.6m, or C$1.21. Revenues were C$11.2bn against C$10.8bn.

CPE is being fully merged into Canadian Pacific Ltd by a share exchange later this year.

● Molson, Canada's second largest brewer, is rationalising operations in Canada and bringing more "foreign" beers into the Canadian market to try and regain the leading position it lost to John Labatt several years ago.

A jointly owned company has been set up with Adolf Coors to introduce foreign beers into Canada and new brands into the US, including Kaltenburg from West Germany. The two-way co-operation with Coors is also designed to hedge against a free trade agreement being discussed by Prime Minister Brian Mulroney and the Reagan Administration.

If agreement is reached, Molson says, Canada's 40 breweries will have to be reduced to about 14 efficient units in order to compete. Molson is closing a smaller brewery in Saskatchewan now and may close another small unit in Alberta soon.

● St Lawrence Cement, controlled by the Swiss Holderbank group, doubled its profit to C$20.7m (US$15.2m), or C$2.47 a share, in the first nine months because of strong demand for cement and concrete products in eastern Canada and the north-east US.

Shipments set a new peak, and the group's plants have worked at full capacity since spring.

Sales were C$312m against C$248m, and the outlook for the fourth quarter was positive, the company said. Further expansion is planned in the US market in the medium term.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for November 12.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex 10⅝ 92	100	99	99½	+0¼	+0½	10.52
Amex Credit 10⅞ 90	100	103	103½	+0⅜	+0⅝	9.91
Atlant Richfld 10¼ 99	250	96½	97	+0¼	+0½	10.68
Australia Com 11¼ 00	100	104¾	105½	+0½	+0¾	10.54
Australia Com 11 95	200	104⅝	105⅛	+0⅜	+0½	10.16
BP Capital 11⅛ 92	150	104⅛	104⅝	+0⅛	+0⅜	10.12
Campbell Soup 10½ 95	100	102¾	103½	+0¼	+0¾	9.99
Canada 11⅛ 90	500	106½	107	+0⅛	+0⅜	9.50
Canadian Pac 10¾ 93	100	103	103½	+0½	+0½	10.09
Canadian Pac 12½ 99	75	105⅛	105⅝	+0¼	+0¾	11.27
CEPME 10⅝ 91	100	100⅞	100⅝	+0⅜	+0⅜	10.03
Chevron U.S.A. 12¾ 89	600	106⅞	105⅝	−0½	0	10.57
Citicorp 10 90	200	100	101½	+0⅛	+0⅝	9.44
Citicorp 10¼ 95	200	98⅞	99⅜	+0⅜	+0¾	10.78
Coca Cola 11¼ 91	100	107	107½	+0⅛	+0⅜	10.06
Denmark Kingdom 11¼ 89	100	103⅝	104⅛	+0½	+0½	9.94
Denmark Kingdom 11½ 90	100	105	105½	+0½	+0⅝	9.98
Denmark Kingdom 11½ 92	100	104⅝	105⅛	0	+0⅜	10.39
E.D.F. 10 95	225	97⅞	98½	+0⅜	+0¼	10.34
E.E.C. 9⅝ 90	350	99⅜	99⅞	+0½	+0⅜	9.70
E.E.C. 11⅛ 90	100	104¾	105¼	+0⅜	+0⅞	9.69
E.I.B. 12 95	200	108⅞	109⅜	+0¼	+0⅛	10.41
Eli Lilly 10¼ 92	150	102⅛	102⅝	+0⅜	+0½	9.76
Export Dev Corp 10 90	100	101½	101⅞	−0½	+0½	9.58
Export Dev Corp 12 89	100	107⅜	107⅞	+0½	+0⅛	9.60
Fed Dep Stores 10⅛ 95	100	98½	99	+0¼	+1⅞	10.32
Ford Motor Cred 11⅜ 90	100	103⅝	104½	0	+0⅜	10.18
Ford Motor Cred 11¾ 92	100	† 106¾	105¼	+1⅛	+1⅜	10.81
Ford Motor Cred 12 95	100	105½	106	+0⅛	+0¼	10.96
Gen Elec Credit 10¼ 90	200	101½	102	0	+0⅛	10.00
GMAC 10¼ 89	200	101¾	102¼	+0½	+0½	9.52
IADB 10½ 95	150	100¾	101½	+0⅜	+1	10.32
IBM Credit 10¼ 2000	300	† 102	102½	−0½	−0⅛	10.06
Kellogg Company 10⅝ 90	100	103⅝	104½	+0¼	+0⅜	9.68
Kellogg Company 11¼ 92	100	105⅛	105⅝	+0⅜	+0⅝	10.02
L.T.C.B. 12⅞ 91	100	111⅛	111⅝	+0¼	+0⅝	10.23
Macy Cred Corp 11¾ 95	100	101½	101¾	−0½	0	11.46
Mitsui Trust 11⅝ 90	100	103¾	104¼	−0½	+0½	10.45
Pillsbury Co. 10¼ 93	100	98¼	98¾	+0¼	+0¾	10.53
Pru Realty secs 12¼ 95	546	108¼	108¾	+0½	+1½	10.81
Qantas Airways 10⅝ 95	140	100⅝	101½	+0⅝	+0⅞	10.21
Quebec Hydro 11½ 92	100	107⅜	107⅞	+0¼	+1⅛	9.94
Queensland Govt 10¼ 95	100	99	99½	+0¾	+1¼	10.36
Ralston Purina 11⅛ 95	150	105½	106	0	+0⅜	10.73
Ralston Purina 12¾ 99	100	108⅝	109⅛	+0½	+0½	9.90
Saskatchewan 10¾ 92	100	102⅞	103⅜	+0¼	+0⅝	10.03
Saskatchewan 11⅞ 89	100	106½	107	0	+0⅛	9.76
Statoil 10 90	170	100⅜	100⅞	+0½	+0¼	9.81
S Wales Trsy 11¾ 90	150	106⅛	106⅝	+0⅜	+0⅝	9.98
Swed Exp Cred 10 92	100	99⅜	99⅞	+0¼	+0⅞	10.06
Swed Exp Cred 12¾ 89XW	100	108⅛	108⅝	+0⅛	+0½	9.90
Sweden Kingdom 10⅞ 90	200	103⅜	103⅞	+0⅛	+0½	9.81
Sweden Kingdom 11½ 89	200	105¾	106¼	+0½	+0⅜	9.84
Sweden Kingdom 11¾ 94	100	107⅛	107⅝	+0¼	+0¾	10.45
Tenneco Corp 10¾ 90	150	100⅞	101⅜	+0⅛	+0⅝	10.54
Texaco Capital 10 95	300	99	99½	0	+0⅛	10.80
Texaco Capital 11⅛ 89	250	102⅝	103⅛	+0½	+1	10.61
United Tech Fin 10⅝ 95	100	100⅝	101⅛	+0⅛	+0⅝	10.46
Victorian Rep 11¾ 92	150	105⅞	106⅜	+0½	+1	10.25
World Bank 10⅞ 99	300	99⅛	99⅝	+0⅜	+0⅞	10.21
World Bank 12⅞ 94	200	113½	114	+0⅜	+0¾	10.48

Average price change On day +0¼ on week +0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	† 104½	105	0	+0⅜	7.25
Austria Republic 7½ 94	200	† 103½	104	+0½	+0½	7.81
Baxter Travenol 7¼ 94	200	† 100¾	101¼	+0¼	0	7.08
Copenhagen 7⅛ 95	150	† 99¾	100¼	+0⅛	−0½	7.37
Credit National 8½ 94	200	† 106½	107	+1	+1¾	7.01
E.I.B. 7¼ 94	300	† 101⅛	102	−0⅛	+0⅜	6.98
Escom 8 92	150	† 95¼	95¾	+0⅛	+0⅛	8.94
Ex-Im Bk Korea 7¼ 99	100	† 100	100½	−0¼	−0⅛	7.54
Ferrovie Dello Stato 8 91	100	† 104	104½	0	+0½	7.01
Finland Republic 7 92	300	† 100¾	101¼	+0½	+0¼	6.79
Gould Int Fin 7⅛ 91	100	† 103	103½	+0¼	+0½	6.86
Ireland 8⅛ 92	150	† 104⅛	105	+0⅜	+0¼	7.17
Japan Fin Corp 7½ 91	100	† 104	104½	+0⅜	+1	6.88
Mitsubishi Hvy 3½ 89WW	300	† 147	148	−6¾	−6¾	−8.28
Mitsubishi Hvy 3½ 89XW	300	† 92¼	92¾	+0¼	+0⅜	6.81
Mitsubishi Mat 3⅛ 89WW	100	† 103½	104½	−1½	−1½	2.10
Mitsubishi Mat 3⅛ 89XW	100	† 89½	89¾	0	+0⅜	6.89
Quebec Hydro 7⅝ 95	200	† 102¼	102¾	+0⅜	+0¾	6.75
Renfe 7⅛ 99	100	† 102¾	103¼	0	+0½	7.29
Soc Cent Nuclear 7¼ 95	150	† 101½	102	0	+0⅜	6.99
Societe Cent Nuclear 8 91	100	† 105	105½	0	−0¾	6.83
Sth African Tran 7⅝ 92	100	† 93¾	94½	+0¼	+1¾	8.81
World Bank 7 95	800	† 100½	101	−0¼	+0½	6.88
World Bank 7¾ 89	700	† 103½	104	+0⅛	+0⅛	6.42

Average price change On day −0⅜ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap Corp 5⅝ 94	130	† 100¾	101	+0¼	+0¾	5.25
Brit land Comp 6½ 99	75	† 103¾	105	0	+0½	5.98
Council of Europe 6 92	120	† 102¾	103	0	+1	5.49
Creditanstalt 5½ 94	100	† 99¾	100	0	+0¼	5.52
Deutsche Bk Fin 5⅞ 95	100	† 102½	102¾	+0⅞	+1½	6.01
E.I.B. 5⅞ 94	120	† 102¼	102½	−1¼	+0¾	5.53
Gen Occidentale 4½ 94	80	† 103¾	104	+0¼	+0¾	3.98
Glendale Fed.S&L 5½ 95	100	† 97½	97¾	−3½	+0½	5.82
Ind Fund Fin 5¾ 94	40	† 101	101¼	0	−0¼	5.59
Int-Am Dev Bk 6⅛ 94	120	† 100½	103¾	+0½	+0½	5.68
N.Zealand steel 5¾ 96	70	† 100	100¼	+0½	0	5.73
Oberoi Kitwk 5⅝ 95	100	† 99¾	100	0	0	5.39
Olivetti Intl 5½ 95	100	† 100¾	101	0	+0½	5.38
Pepsico 5¼ 95	130	† 101	101¼	0	0	5.09
Ralston Purina 5¼ 94	125	† 100¾	101	+0⅛	0	5.25
Santos Finance Ltd 6 94	130	† 99½	99¾	+0⅜	+0¼	6.05
Tokyo Elec Pwr 5½ 93	120	† 101¼	101½	+0⅞	+0½	5.26
Tokyo Metropolis 5¼ 94	80	† 101¼	101½	−0¼	+0¾	5.06
World Bk 5¾ 94	150	† 101¾	102	+0½	+0½	5.46

Average price change On day 0 on week +0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 6¾ 90	15	99⅛	99¾	−0⅜	−0⅞	7.14
Gdyr Tr & Rubber 7⅛ 95	25	99	99½	−0⅛	−0⅜	7.22
Mort Bk Denmark 7 92	10	98½	98⅝	−0½	−1½	7.31
New Brunswick 7⅛ 95	10	98⅜	98⅞	−0½	−1⅜	7.32
Swed Exp Cred Zero 90	14	71½	71¾	−0⅛	+0½	7.12

Average price change On day −0¼ on week −0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aust Gas & Light 13 92 SA	50	93¼	94¼	−3½	−4⅞	14.97
Kellogg Co. 12¾ 88 AS	30	94⅞	95⅞	−0¼	−1¼	14.78
Pepsico Cap. Res. 13 90AS	50	101¾	102¾	+0⅛	−0⅝	12.30
Transcan.Pipe 13½ 90AS	40	93⅛	94⅛	+0⅜	−0¾	15.62
Amex 10¾ 90 CS	50	101	101½	−0⅛	−0⅛	10.35
Canadian Pac 10⅞ 90 CS	75	† 99¼	99¾	−1⅝	−1⅞	10.59
CIBC 10¾ 99 CS	75	† 102¼	102¾	−0⅛	+0⅛	10.06
Genstar Fin 11¾ 95 CS	75	101	101½	0	+0⅜	11.56
Montreal 11½ 95 CS	75	104⅛	104⅝	0	+0¼	10.72
Sears Acc. Co 10⅞ 92CS	75	† 97⅞	99⅜	+0⅛	+0⅜	11.02
Winnipeg City 10⅝ 90CS	50	102¼	102¾	0	0	9.98
Chrysler Fin Corp 17 90NS	65	92	94	+0½	+0⅜	19.38
K.O.P. 16¼ 91 NS	50	† 90½	91½	+0½	+0¼	19.14
Kredietbank Lux. 17 88 NS	70	99⅝	101⅛	+0⅜	+0⅞	16.77
B.N.P. 8¾ 95 ECU	75	98⅜	95⅞	+0¼	+0⅞	9.09
IBM Wld Trade 8¾ 90ECU	150	100½	101	+0⅜	+0⅝	8.04
Sec Pac Aust 8¾ 90 ECU	100	98½	99	+0⅜	+0½	9.07
Honda Motor WW 3⅞ 90FL	100	102¾	103⅛	−0¼	−0⅛	3.12
Honda Motor XW 3⅞ 90FL	100	86	86¾	0	+0⅛	7.05
Thyssen 7¼ 90 FL	50	102⅜	102⅞	+0⅛	+0¼	6.58
Wereldhave 7½ 90 FL	75	101¾	102¼	+0⅜	+0¼	6.98
Wessanen 6¾ 90 FL	50	99⅞	99⅜	+0⅛	+0¼	6.86
S.N.C.F. 11 2000 FF	500	100⅞	101⅜	+0⅛	+0⅝	10.83
Australia Comm 11 92 £	40	99⅜	99⅞	+0⅛	−0¾	11.05
BP Capital 10¾ 92 £	50	99¾	100½	−0⅛	−0¼	10.74
E.I.B. 11⅛ 93 £	50	99½	100	0	−0½	11.16
GMAC UK Fin 10½ 90 £	30	95	96½	+0⅜	−0⅝	10.97
Imp Chem Inds 11¼ 95 £	75	99⅞	100⅜	0	−0⅞	11.22
Imp Chem Inds 10¾ 92 £	75	97½	98	0	−0⅜	11.32
Medonalds 10⅞ 90 £	40	100½	101	−0⅛	−0⅜	10.61
Mitsubishi Fin HK 11 90 £	50	98⅞	99⅜	−0¼	−0⅝	11.21
Privatbanken 11⅛ 92 £	20	100½	101	0	−0½	11.07
Rank Xerox 11 92 £	40	97⅞	98⅜	−0¾	−1½	11.38
Royal Ind 10¾ 92 £	60	97¼	97¾	+0⅜	−0½	11.28
Ster Drug Cap 10¾ 90 £	30	99½	100	−0⅛	−0½	10.91
Tricentrol XW 11 92 £	35	96⅛	96⅝	+0½	−0½	11.36
Trthouse Forte 11⅛ 90£	58	99	99½	0	−0⅝	11.31
World Bank 11¾ 95 £	100	100⅜	100⅞	−0⅛	−0⅝	11.32
C.O.E. 8¾ 95 LF	600	99⅛	99⅞	0	0	8.86
Nat Lux Alum 10½ 92 LF	600	104	105	0	+0⅜	9.39

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
BankAmerica O/S 5¼ 96	0⅛	99⅞	100⅛	20/12	8⅛	8.13
Bankers Trust 5 2000	0	99⅞	100⅛	11/12	8.44	8.44
B.F.C.E. 5¼ 99	0¼	100⅛	100⅜	13/12	8¾	8.72
B.N.P. 5¼ 95	0	101¼	101½	10/1	5¼	5.18
B.N.P. 5¼ 95 (July)	0¼	99⅞	100⅛	22/1	8½	8.49
B.N.P. 5¼ 00	0⅛	100	100¼	5/8	5¼	5.24
Britannia 5 93	0¼	99⅞	100⅛	8/1	5	5.00
C.C.F. 5¼ 97	0	99⅜	99⅞	28/10	8.19	8.21
Chase Man'tn 5¼ 2009	0⅛	100	100¼	5/12	8.44	8.43
Credit Lyonnais 5¼ 96	0⅛	100⅝	100⅞	11/10	9.88	9.82
Credit Lyonnais 5 00	0	100⅛	100⅜	10/1	5	4.99
E.E.C. 5 99	0	99⅝	99⅞	8/1	5.06	5.06
E.N.E.L. 5 00	0⅛	100	100¼	1/3	5	4.99
Iceland 5¼ 99	0⅛	99⅝	99⅞	11/1	5¼	5.26
Ireland 5⅛ 97	0	100	100¼	20/2	8.44	8.43
Ireland 5¼ 99	0	100½	100¾	16/2	8.94	8.89
Lloyds Bank Perp	0⅛	100⅛	100⅜	9/12	8	7.98
Midland Bank Perp 5	0¼	100	100½	19/12	8⅛	8.10
Nat West Perp A 5¼ S	0¼	100	100½	9/1	8¼	8.24
Nat West Perp B 5¼ S	0¼	100⅛	100⅜	10/2	8.81	8.80
New Zealand 5 97 £	0	99¾	100	14/11	11.56	11.59
Roy Bk Canada 5 2005	0⅛	95⅞	100½	7/12	8.19	8.18
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	1/11	11.69	11.76
Societe Generale 5¼ 97	0	100¼	100½	19/3	5¼	5.28
United Kingdom 5 92	0	99⅞	100⅛	7/7	0	5.00

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	123¾	124¾	+0⅜	8.17
Comcast 7 2000	12/85	23.875	† 107½	108½	+1	31.96
Fanuc 3¼ 99	1/84	7032.3	195½	197½	−6	57.21
Fuji Hvy Inds 3 2000	8/85	676	99⅞	94⅞	−0⅜	2.87
Fujitsu 3 99	5/84	1320.9	90⅛	90½	−0⅝	10.02
Kumagai Gumi 3½ 2000	3/85	600	162½	163¾	−0⅜	8.30
Marui 3⅛ 99	7/84	1162	148	149	−1¼	−1.59
Mitsubishi Bank 2⅞ 00	8/85	1768	96⅝	97⅝	−0⅞	−3.38
Mitsubishi Elec 2¾ 00	3/85	422	88⅜	89⅞	−0¼	6.15
Murata 3½ 2000	7/84	2398	112¼	113¼	−2⅝	15.03
Nippon Elec 2⅞ 2000	1/85	1285	101¼	102¼	−0⅜	31.03
Nippon Oil Co 3 2000	5/85	923	102¼	103½	+0⅜	−1.72
Oki Elec Ind 3½ 99	10/84	805	91⅞	92⅝	+0¼	12.09
Sekisui House 3 99	6/84	612	159¾	158¼	−0¼	0.61
Sumitomo Bank 2¾ 2000	8/85	2142	85⅝	86⅝	−0¾	2.41
Sumitomo Corp 2⅝ 99	5/84	593	130⅞	131⅞	−0¾	−1.58
Taiyo Yuden 3¼ 2000	3/85	1078	† 99	101	−1	−4.46
Takeda Riken 3⅛ 2000	10/84	7663	† 91	99	−1	9.25
Tokyo Sanyo Elec 3½ 99	12/84	772	92⅞	93⅞	0	−0.82
Toshiba Ceramics 3 2000	4/85	1734.2	99	100	+1¼	4.90
Nippon Oil Co 2⅞ 92 SF	3/84	1052	† 100	100¼	0	20.27
Nippon Shinpan Co 2 92 SF	3/84	801	† 112	113	+0¼	12.70
Asics 5 92 DM	12/83	520	109	110¼	−0⅛	12.90
Renown 3⅛ 90 DM	3/85	675	† 106¾	107¼	−0¾	−5.13
Sum Realty 6¼ 92 DM	2/83	336	† 372	373	−9	−5.46

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cn. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES & FINANCE

Bell Group lifts BHP stake to 16%

BY LACHLAN ORUMMOND IN SYDNEY

BELL GROUP, Mr Robert Holmes à Court's master company, has built up its holdings in Broken Hill Proprietary to about 16 per cent after two hectie days of trading, rekindling expectations that he will make his third bid for Australia's biggest company.

The spurt of buying came as Bell Group, which owns 46 per cent of Bell Resources—the mein buyer of BHP shares—gained shareholder approval to raise A$150m (US$100.1m) through a convertible bond issue and a further A$50m through a share placement, with both issues aimed at European investors.

Mr Holmes à Court said this would leave Bell Gronp's borrowings in Australian dollars at less than A$50m and Bell Resources would be a net lender in Australian dollars.

At the same time the two companies would bave combined cash and available credit lines of A$2.5bn, be said.

After driving the BHP share price through A$9 and picking up 6m shares on Monday, Mr Holmes e Court bought almost 16m BHP shares yesterday at up to a record A$9.26 per share, which leaves him on target to hit the 20 per cent takeover threshold.

Bell remains in the market for BHP, and getting to 20 per cent would cost close to A$400m more. The market remains sceptical as to wbether a bid is imminent or Mr Holmes à Court is applying increased pressure on BHP to find a "White Knight" to remove him as a shareholder at e profit.

Exxon, which shares ownership of the Bass Strait oilfield with BHP, has been suggested for this role.

Control of BHP would probably be achieved with a stake of around 40 per cent, which would cost Bell another A$2bn to achieve should it formally offer A$10 a share in cash. In its two previous offers for BHP shares it has offered shares plus a small amount of cash.

In reaching its current boldings of roughly 160m BHP shares, Bell has only paid cash for about 90m of the shares to which it is now deemed to be entitled.

The other 70m are beld under options from Adelaide Steamship (Adsteam) at an effective A$7.11 a share and are due for delivery to Bell between August and October next year.

Most of the shares are held by Bell Resources with its 95 per ceot-owned Weeks Petroleum offshoot holdiog the Adsteam options, which also convey votiog rights on the shares to Weeks.

This has limited the cash outlay on a stake worth just on A$1.5bn to about balf that figure and locked in a large low-cost parcel of BHP shares which will bring the effective cost of the 160m shares to which Bell is entitled dewn to about A$1.2bn.

Mr Holmes à Court said yesterday thet the fund-raising approved for Bell Group would be used to cover growth and to reduce group borrowings.

He is to take up to half of the convertible bond issue with the remainder of this issue plus all of the shares to be placed going to Europe. The boods are to be listed in Luxembourg and Bell Group is to gain a Londoo listing for its shares.

SIA public share offer expected to be doubled

BY CHRIS SHERWELL AND ANDREW BAXTER IN SINGAPORE

SINGAPORE International Airlines (SIA), the island state's national flag carrier, is expected to offer a total of 100m shares—substantially more than the number originally suggested—in its public share offer to be launehed this week.

The net effect will be to reduee the stake of Temasek Holdings, a major government bolding company, from around 77 per cent to an estimated 63 per cent. The government would thus retain overall control of the airline.

Temasek is understood to be adding 48.4m of its own shares to the previously announced offer of 50m new shares and a total of 1.6m shares furnished by a buy-out seheme aimed at share-owning airlina employees.

The buy-out seheme has attracted fewer shares than originally hoped, suggesting that employees wonld rather hold on to their shares. It is not elear however whether this is because they are taking a longer-term view or expect to reap a higher profit by selling in the so-called "grey market."

The proposed offer price for the shares of S$5 has yet to be finally confirmed, and will be revealed in the prospectus whieb is due to be published later this week.

The precise number of shares to be placed in London, New York and Tokyo is also undecided.

Lead manager and underwriter for the issue is the state-controlled Development Bank of Singapore. Co-underwriters are S. G. Warburg, Goldman Sachs International and Daiwa Securities.

● Temasek Holdings, the biggest of the Singapore Government's three major bolding companies, is selling its 45 per eent stake in Cerebos (Singapore) to Cerebos Pacific, the Singapore-listed Asian arm of Ranks Hovis McDougall of the UK.

The S$7.075m (US$3.34m) cash sale, which makes Cerebos (Singapore) a wbolly-owned subsidiary of Cerebos Pacific, is believed to be Temasek's first significant divestment since the Singapore Government announced in March that it would sell shares in companies where it does not have a majority stake.

Japanese shipping lines show varied performance

BY YOKO SHIBATA IN TOKYO

THE GAP in earnings performance among Japan's six major shipping companies widened further in the half-year to September.

The top three in sales terms — Nippon Yusen Kaisha (NYK), Mitsui OSK Line and Kawasaki Kisen (K-Line) — were profitable. This was thanks to freight revenue from Japan's buoyant car exports to the US, which offset losses at their liner divisions. An increase in dollar-denominated freight revenue stemming from the yen's sharp depreciation was also a factor.

Japan Line and Yamashita Shinnihon Line (YS Line) managed to reduce their losses, but they were obliged to resort to sales of assets. For YS Line, losses accompanying the disposal of unprofitable tankers exceeded Y5bn ($20m), but these were covered by sales of shares and property.

For the current half year to March, the companies are facing unprecedeotedly severe business circumstances, with losses both in the liner and cargo divisions, excluding car carriers. This is beiog exacerbated by the yen's sharp rally.

The combined loss on the Japan-US route alone — previously seen as a gold mine — is expected to reech Y40bn for the year. This results from intensified price cutting caused by excess eapaeity of container ships.

Nippon Yusen said it would place more emphasis on financial and property management.

JAPANESE SHIPPING COMPANIES

Parent company results, Ybn: half-year to Sept., 1985 (Sept 1984)

	Sales		Pre-tax profits		Net profits...	
NYK	294	(289)	9.72	(9.59)	4.63	(4.35)
Mitsui OSK	261	(259)	6.32	(5.72)	2.98	(1.61)
K-Line	201	(196)	3.35	(3.07)	0.16	(0.83)
Japan Line	102	(107)	−4.78	(−10.04)	−2.40	(−11.87)
YS Line	97	(99)	−0.73	(−2.35)	−1.14	(−2.66)
Showa Line	80	(77)	−0.85	(0.23)	−1.72	(−0.65)

South Korean groups to issue convertibles

BY STEVEN B. BUTLER IN SEOUL

THE SOUTH KOREAN Government has issue regulations that will allow Korean companies to issue convertible bonds and depositary receipts in overseas markets. The Ministry of Finance said yesterday that the regulations would take effect within days, after the government makes formal ebanges in Korea's foreign exchange and securities regulations.

The issue of convertible bonds will provide overseas investors with the first opportunity to invest directly in Korean companies through the securities markets. Previously only direct investment through joint ventures or indirect investment through overseas trust funds had been allowed.

The Ministry said that only 14 Korean companies would meet the stringent requirements for issuing the bonds, which specify that a company's net assets exceed 50bn won ($56.1m) and that its shares trade publicly at a price above the average market price of all 340 companies listed on the Korean Stock Exchange.

The companies would be permitted to issue bonds up to 15 per cent of their share capital.

The 14 companies include some of Korea's best-known names—among them Samsung Electronics, Hyundai Engineering and Construction, Yukong, Goldstar, Hyundai Motor Company, Kia Industrial, Samwhan, and Kolon Industries.

Samsung Electronics has already issued invitations to securities companies to submit offers to underwrite bonds, and is expected to be the first company to reach the market. Bankers in Seoul say the response to Samsung's reqnest has been excellent and that many brokers are keen to participate in the offering.

The issue of convertible bonds is part of a gradual liberalisation of the Korean securities market. Mr Kim Mahn-Je, the Finance Minister, told the Korean National Assembly on Monday that unrestricted investment in Korean securities by foreigners would be possible by the end of the decade, and that by the early 1990s, Koreans would be permitted to invest in foreign securities, while foreign companies could be listed on the Korean Stock Exchange.

Rival bid for Allied Mills

BY OUR SYDNEY CORRESPONDENT

A RIVAL bid worth A$368m (US$245.6m) has been launched for Allied Mills of Australia, offering an alternative means of unravelling a tangle of cross-shareboldings in the region's food industry.

It followed all-share offers by Fielder Gillespie Davis for both Allied and Goodman Group of New Zealand, proposals which had won approval in principle from the major shareholders in Allied—Arnotts witb 36 per cent and Goodman itself with 14 per eent.

The latest offer of A$3.50 cash a share was made yesterday by the Entrad textile group in partnership with two of its major shareboiders, the Lipkiea and Logan families, wbo two years ago sold their edible oil and margarine business to Allied.

The bidding consortium said it has no interest in the 20 per cent of Arnotts beld by Allied Mills, and is prepared to see these shares cancelled or distributed to other Arnotts sharebolders.

JAPANESE COMPANY RESULTS

CITIZEN WATCH
WRISTWATCHES, INDUSTRIAL EQUIP.

Half-year to	Sept. 85 Y	Sep. 84 Y
Revenues (bn)	76	72
Pre-tax profits (bn)	5.57	6.49
Net profits (bn)	2.07	3.34
Net per share	8.23	13.61
Dividend	3.75	3.75

PARENT COMPANY

MITSUI REAL ESTATE DEVELOPMENT
HOUSING, SHOPPING CENTRES

Half-year to	Sept. 85 Y	Sep. 84 Y
Revenues (bn)	132	115
Pre-tax profits (bn)	10.02	7.62
Net profits (bn)	4.72	3.62
Net per share	9.59	e.69
Dividend	4	4

PARENT COMPANY

MITSUBISHI OIL
OIL REFINING

Half-year to	Sept. 85 Y	Sep. 84 Y
Revenues (bn)	513	561
Pre-tax profits (bn)	†8.68	1.10
Net profits (bn)	†8.38	0.75
Net per share	†27.94	2.51
Dividend	—	—

† Loss.
PARENT COMPANY

RICOH
OFFICE EQUIPMENT

Half-year to	Sept. 85 Y	Sep. 84 Y
Revenues (bn)	252	215
Pre-tax profits (bn)	15.82	13.57
Net profits (bn)	7.72	6.77
Net per share	18.85	17.18
Dividend	5	5

PARENT COMPANY

Canada shows its competitors how to make profits out of steel

BY BERNARD SIMON IN TORONTO

THE STEELWORKS on the north shore of Lake Erie is unlike any other in North America. A herd of deer sometimes appears near the hot strip mill, while foxes, racoons and muskrat can be spotted around the perimeter of the 6,000-acre site. The plant's community relations centre, a 113-year-old former farmhouse, faces on to spacious lawns where geese waddle against the backdrop of a pond and a clump of willow, birch and maple trees.

The Lake Erie works, owned by Canada's biggest steel producer Stelco, is also the only integrated steel plant built in North America in the past decade. Completed in 1983, it helps explain why Canadian steelmakers, notably Stelco and its main competitor Dofasco, are able to face the future with considerably more confidence than most of their counterparts in the US.

According to Mr John Allan, Stelco's president and chief executive officer (who is expected to be named chairman later this month), "we're doing what everyone else has to do in this industry." Mr Allan says that the Lake Erie plant "showed us what the latest technology could do for quality."

Stelco has swung from a pretax loss of C$65m in 1983 to earnings of C$47m (US$34.3m) last year. Net income, before extraordinary items, climbed to C$61.7m in the first nine months of 1985, almost double the level a year earlier. Sales values have climbed from C$565 per ton in 1983 to C$600 last year and C$610 in the three months to September 30.

Dofasco has the enviable record of remaining profitable throughout the recession. Its return on shareholders equity rose to 17.2 per cent last year. Canada's third major steel producer, Algoma Steel, is more exposed to heavy capital goods sectors. Still in the red, Algoma has long-term debts of around C$570m.

The Canadian companies benefit to some extent from accidents of history and geography. Cheap hydro-electric power keeps their energy costs about half those of US steel producers and a third of those of Japanese competitors. Canada's special relationship with the US (helped by Canadian steel companies' unblemished fair trading record) encouraged Washington to exempt Canadian producers from steel import quotas imposed earlier this year.

About 17 per cent of Canadian steel is sold in the US. The North American automotive industry makes up a quarter of Stelco's total business.

But the Canadian producers' own initiative has also contributed to their present good fortune. According to Mr Greg Liddy, steel analyst at Merrill Lynch Canada, the Canadian steel companies "continue to make investments which reinforce their position and put more distance between them and their competitors." Mr Liddy describes Stelco's Lake Erie works as a "Quantum leap forward". The plant recently claimed a North American record by heating a furnace vessel 6,000 times without a new lining. Lake Erie, currently operating at full capacity, has one twin-strand continuous slab caster. The spacious site is designed to accommodate another three machines, bringing production capacity eventually to around 6m tonnes.

Attention centred on modernisation

For the time being, Stelco's attention is centred on the modernisation of its older Hilton works at Hamilton, south-west of Toronto. A C$400m renovation project, presently underway, includes the installation of two continuous casters (supplied by Mitsui and Co of Japan), improvements to the basic oxygen furnace shop and bar mill renovations.

Dofasco is in the throes of a C$600m project at its Hamilton works, including a new slab casting unit, slab heating facilities and additions to a hot mill.

The impact of the revamped Hilton works on Stelco's costs will not be felt until 1987. The recent improvement in its financial performance is due largely to a more profitable product mix, cost cutting and a streamlining of operations. Prices on flat-rolled products were raised by 3.8 per cent at the end of July. Stelco's shipments advanced by a meagre 1.3 per cent to 3.1m tonnes in the nine months to September 30 and Mr Allan expects roughly the same growth rate in 1986. But investment analysts in Toronto forecast that the company's earnings per share wil more than double next year.

Stelco has swung its resources away from the still-depressed heavy plate market, towards products in greater demand, like galvanised, hot-rolled and flat-rolled steel. Production of some items, including washers and residential sidings, has been discontinued.

The Lake Erie works and the rejuvenated Hilton works are the centrepieces of a strategy to concentrate steelmaking operations in four low-cost plants turning out high-quality products. The other two, at Montreal and Edmonton, specialise in bar products. Stelco has shut a fabricating plant in Saskatchewan, four finishing mills in Quebec and Ontario, and announced the closure of an iron ore mine in north-west Ontario.

The fastener, wire and pipe divisions have been given greater autonomy by hiving them off as wholly-owned subsidiaries. According to Mr Allan, "If you're going to be fast on your feet, you've got to get yourself broken down into small units."

A number of other product groups are being formed, each with its own sales, operating and accounting team. Stelco is recognised as a world leader in developing new products and operating techniques. The first meeting each year of the company's senior officers is held at its research building in Burlington, near Toronto.

Stelco invented the Ardox spiral nail in the 1950s. Fourteen other steelmakers have been licensed to install its coilbox, a coiling machine which gives continuously cast slab a more consistent quality and shortens the length of a hot strip mill by about 300 ft. More recently, a Stelco chemist has found a way of removing tar from wash oil used for cleaning and scrubbing gases from the coke ovens.

Mr Allan is relying on further innovation, new investment and the recent corporate restructuring to maintain steel's competitiveness with other building, construction and packaging materials.

Continuous casting has enabled Stelco to start producing container plate for two-piece steel beverage cans. The Ontario Government recently delayed the introduction of aluminium cans in the province until September 1987 to give Stelco and its biggest customer, American Can Canada, time to complete construction of their two-piece can facilities.

Threatened by cheap imports

Advances such as these appear limited however, to regaining some of the market share which steel has lost to aluminium, plastic and other materials. Mr Allan sees no major new uses for steel in the near future.

The outlook for Canadian steel producers over the next few years thus depends mainly on the vagaries of the North American automotive market and the companies' ability to make further price increases stick.

Unprotected by quotas or voluntary restraint agreements, the Canadians also feel threatened by cheap imports. The Federal Government in Ottawa has pinpointed 16 cases of injury to local steelmakers in the last four years by dumping or countervailing duties. The anti-dumping tribunal is due to give a ruling on complaints of unfair competition from barbed wire imports before the end of this month.

Mr Allan is concerned that recent US import curbs will draw more cut-throat overseas suppliers to the Canadian market. Despite its strong position in the steel industry, Stelco is thus taking the first steps towards emulating the diversification moves of some US steel companies.

Mr Allan, aged 60, says: "I think we have to look ahead, beyond 10 years." He has directed a group of younger senior officials to explore opportunities for Stelco to spread its wings into less capital intensive industries.

RESOURCES REVIEW

The oil industry's Italian factor

By James Buxton in Rome

EVERY NOW and then Esso Italiana has to spring clean the storage tanks at its refinery at Trecate, near Milan, flushing out the solid residue of crude oil which lines the bottom of the tanks. This is done by pumping in heated crude oil mixed with chemical additives, then pumping it all out again.

It should be reasonably simple, but the Italian customs have to know exactly how much crude goes in and how much comes out. That means checking manually the settings of all 539 valves used in the operation. An Esso employee does this by applying two lead seals to every valve and making a note about each in a ledger.

To apply 1,078 seals in accordance with the official procedure takes one man 15 working days.

That, indeed, is the Italian oil industry in microcosm. From the time a super-tanker berths at an Italian oil terminal to the moment the motorist drives away from a filling station, the petroleum cycle is infested with costly but petty official constraints and blatant restrictive practices.

Virtually every oil company loses money on its operations in Italy. The companies of the state-owned ENI group, Agip and IP, which have about 37 per cent of the domestic market, reckon they lost about L1,000bn (£392m) in 1984. Of the eight multinationals, accounting for 34 per cent of the market, the biggest, Esso, made an operating loss of L174bn last year, while Mobil lost a net L57.5bn.

There is nothing particularly new about this. Oil companies have tended to lose money in Italy for more than 15 years—both Shell and BP abandoned Italy in despair in 1973, while Amoco and Gulf have sold out in the past three years. Indeed, the net results of the multinationals in Italy have improved in the past two years, thanks in part to more sympathetic treatment of inventories.

Admittedly, oil companies generally lose money in the European market. To ensure regular supplies they have to buy crude on long-term contracts that are often above the spot market price. Because of costly refining processes, they are often undercut by cheap products flowing from refineries in the Arabian Opec countries, and particularly last year, owing to the strength of the US dollar against European currencies.

Yet Esso, the wholly-owned subsidiary of Exxon, reckons that almost 50 per cent of its Italian operating losses in 1984 were due to the particular restrictions of the market. Other companies blame at least 30 per cent of their operating losses on purely Italian factors. With Italy relying on oil for nearly two-thirds of its energy needs, the inefficiences of its oil industry go some way to explaining why 6 per cent of the Italian GDP is spent on meeting its energy requirements, while France and West Germany allocate only 4 per cent.

There are three types of fetters on the oil companies. The first consists of often niggling legislation operated by the notoriously slow bureaucracy, whose principal aim is to prevent fraud. The fear that the state will be swindled is justifiable: ENI is not the only oil company operating in Italy whose past has been tarnished by scandal. The chances of fraud, with petrol costing only L440 a litre to produce, but selling for more than L1,300 with tax, are obvious.

In 1980 the industry was at the centre of a scandal that is reckoned to have cost the state more than two billion dollars. By some legislative quirk, diesel oil for vehicles bore a higher rate of duty than heating oil, despite being the same product. With the connivance of the Guardia di Finanza, the fiscal police, a network of businessmen all over Northern Italy bought the fuel at the cheaper rate and sold it at the higher.

It is to prevent this sort of thing that officers of the Guardia di Finanza and the customs scrutinise the oil companies' operations in microscopic detail. They use dipsticks to check the levels inside tanks. Computerised records and measurement by the oil companies are not accepted as valid. The driver of every tanker lorry carries a schedule requiring him to complete his journey in a specific time, following a precise route, which names every bridge he must cross.

Refinery management is hobbled by rules which, for example, forbid the transfer of semi-finished products from one refinery to another. This means that if one plant has spare capacity to refine petrol, it cannot make up supplies from another refinery. To change the use of a refinery tank—say from storing petrol to storing diesel—requires permission from at least two ministries, that of Finance and Industry. If the refinery is on the sea, approval from the Ministry of the Merchant Marine must also be sought. It can take 18 months to get the permits.

The second type of restriction on the oil companies lies in the rules governing the distribution networks. Italy has 36,700 filling stations, nearly twice as many as the other major countries in Europe. Some are just a couple of pumps standing, without a forecourt, on the edge of a busy city street. Their average sale is little over half that of the average for British filling stations and 42 per cent of the West German average.

The law imposes very tight restrictions on the setting up and closing of filling stations (it can take three years to get permission just to instal an extra pump) and lays down rigid opening hours. Italian filling stations may open only for an average of nine hours a day 280 days a year. In Britain, on the other hand, they are open 16 hours a day 364 days a year. Because only 25 per cent of stations may open on Sundays, and all must have one half-day off in the week, one-man filling stations make just enough money to stay in business.

The small independent filling station operators belong to a powerful guild which, like that representing other small shopkeepers, has disproportionate influence with politicians in the capital and in the city halls who administer the rules. The consequence is that the oil companies have little control of their outlets and have to supply the inefficient along with the efficient. Esso, which invested L107bn in its distribution network between 1982 and 1984, says it lost L12bn last year in the fixed costs of an unnecessarily large filling station network, and a further L18bn from being unable to make economic use of it.

Yet there is little doubt that the oil companies feel most strongly the third type of restriction — the regime for prices and taxation.

The price of products in Italy is determined according to a formula based on the average of prices in other EEC countries. This has the disadvantage that the average becomes the maximum (there is nothing to stop the companies from offering discounts). Furthermore, though the formula is applied automatically for products such as diesel, the petrol price can move only after a government committee has met to approve a change. Often when a rise in the petrol price is politically inopportune, the committee cannot find the time to meet.

What most enrages the oil companies, however, is that they have to pay production tax on refined products 15 days after they leave the refinery, with interest on top. This means that they must pay the tax before they have been paid for the products. Wearily they point out that in the rest of the EEC the tax is paid an average of 33 days after leaving the refinery, without interest. Unione Petrolifera, the association which represents the non-state-owned oil companies, reckons this rule cost its members L200bn a year. Esso alone says it cost L30bn in 1984.

In their more dismal moments, the private sector oil companies see themselves fighting to survive in a political environment coloured by prejudice against multinationals and by the faint chauvinism that helped ENI build up its position in the Italian market from zero to 37 per cent in three decades. For historical reasons the foreign oil companies are not much liked by Italian politicians.

But Unione Petrolifera believes that the climate has changed in the past few years. Small concessions on pricing policy have been won. A law is before Parliament that would reduce the size of the stocks that oil companies are obliged to maintain. Mr Renato Altissimo, the Minister of Industry, intends soon to allow the petrol price formula to operate automatically, and has speculated about creating a special government fund to look after self-employed garage owners who would become redundant if there were a shake-up of the filling station networks.

The argument of the private sector oil companies — echoed discreetly by Professor Franco Reviglio, chairman of ENI — is that the public and the country as a whole would benefit from cheaper products and a more efficient refining and distribution system. Yet there are marked differences in the way the companies approach the problem of achieving these objectives.

Esso is on its own in publicly exposing every restriction in the system. The other companies favour a more circumspect approach. They highlight the difficulty of finding a pricing system that would be widely considered equitable. Their view is that a sweeping liberalisation by the Government of prices and other restrictions would bring little benefit to either the companies or the consumer unless it was accompanied by major rationalisation of the distribution system.

But Esso has already rationalised its own distribution network as far as the regulations permit. It has cut out marginal outlets, installed self-service (previously almost unknown in Italy) and pushed up volume per outlet to near the European average. All this is part of a total investment programme for Italy which by the end of 1985 will have cost almost L500bn in four years. Now it has the frustration of not being able to win the extra market share to which it believes it is entitled.

The other companies, including Agip in the state sector, have invested much less in distribution, though all have modernised to some extent. As a result, they are wary of too sprightly a pace of change in the Italian oil industry. Perhaps that is just as well, for as Mr William Barnes, chairman of Esso, said a few months ago: "Neither on the part of government nor of local authorities does there appear to be much interest in doing what is needed to remedy the situation."

ITALIAN OIL INDUSTRY LOSSES

Year	Operating losses (Lire bn)	Tonnes of crude processed	Average loss per tonne (Lire)
1981	2,000-2,300	74.6m	29,000
of which ENI	1,500		37,000
1982	1,700-2,000	65.6m	28,000
of which ENI	1,030		32,000
1983	700- 800	63.3m	12,000
of which ENI	500		17,600
1984	1,400-1,500	62.2m	23,000
of which ENI	1,000		30,000

Source: Unione Petrolifera, based on losses of the private sector companies and declarations by ENI.

GARDENS TODAY

The pleasure and the pain to be derived from pulling up plants

BY ROBIN LANE FOX

AT THIS time of year, I go round pulling up plants. Much has been written about planting but nobody seems to mention pulling. Some plants are much easier to pull than others. I write this with the marks of some hard pulling on me, continued last Saturday beyond that marvellous moment when the dusk collided with the sunset and it turned out, after all, that there would be no more rain.

I had begun after lunch with the easy victims: the last of the tobacco plants, which the frost had browned on the previous Sunday, a crop of late-autumn chickweed and the evening primroses. If you want a sense of accomplishment for very little effort; find some tall evening primroses after a day's rain and start pulling. Their long, edible roots come out of the ground like daggers from a scabard, leaving you with four or five feet of top growth to be stacked for compost.

Foxgloves are another easy pull. I find that the lovely Suttons Apricot form reverts to a purple after a year or two, presumably because the colour is not stable. They are easily extracted and replaced at this time of year with the next batch of seedlings.

Fennel, on the other hand, is a struggle. Its roots are made on the carrot-pattern, but they fork, like old teeth, and quickly become tenacious. The stems multiply and you cannot exert an even force on the roots.

Skirting the fennel and fresh from the evening primroses, I came to rest on my line of poplars. Almost everybody wants a tree which will grow quickly and give privacy — these poplars were planted in 1976 as rooted cuttings, two feet high. Before last autumn, they had jumped the gun and privatised the telephone wires; they now need topping from their height of beyond 20 feet.

In gardening, what goes up does not come down: it goes sideways. Poplars only attain such a height so quickly by sending out wide-ranging roots to sustain their trunks. These roots lie near the surface and break willingly into more poplars.

For two or three years, I have failed to pull these secondary poplars from the path in which they have started a thicket. The winds had just removed the poplars' leaves in one great gust and had left their undergrowth looking like a petrified forest. I should point out here that I do not grow the plain Lombardy Poplar, which may be better behaved. My preference is for the silver and balsam poplars, trees which will grow very quickly almost anywhere at a low cost.

Among the grey-leaved poplars, one of my favourites is Populas Alba Raket, a tree which shows white undersides on its leaves and gives a calm, harmonious rustle when the wind is breathing through it. Chichester Trees of Landford Lodge, Landford, Salisbury, sells it at heights of four feet for only £1 a plant, if you order in wholesale quantities.

Among much else, it also sells the mottled Balsam Poplar, called Aurora. In some moods, this variety is overpowering. The young growth is pink at its tips, the leaves are marked with creamy white and the general effect is like an ice-cream sundae. However, the colour wears off with time.

Silver and balsam poplars need to be pulled and, if you miss the job, it becomes a trial of strength. The trial would have been easier, I admit, if I had not positioned the wheelbarrow about five yards from the first clump. The roots broke, eventually, but they took me backwards with them, propelled into a barrowload of autumn leaves. Poplar-pullers need at least 10 yards in which to regain balance.

By the time I had righted the barrow and regathered the leaves, I daresay you could have massacred the entire line of trees with a chain-saw. You would not, however, have ended with so many rooted suckers. In a season, one poplar can be made to throw up a dozen or more, all of which are healthy young trees when severed from their roots.

Once pulled, they can be planted at once as a further screen or boundary.

UK COMPANY NEWS

Unilever rises by 8% to £265m

Unilever, the Anglo-Dutch foods and consumer products group, has matched City expectations with an 8 per cent rise to £265m in the third quarter taxable profits.

The result, which compares with £245m, brings the nine-month total for 1985 to £749m against £711m.

However, after higher tax and minorities and allowances for adverse currency movements, attributable profits for the third quarter are 4 per cent lower at £131m, and for the nine months show a 5 per cent fall to £351m.

If comparable exchange rates were used, attributable profits would have increased by 3 per cent in the quarter.

Unilever, which is chaired by Sir Kenneth Durham, says the quarter was good for volume growth. Worldwide turnover advanced by 11 per cent to £4.44bn and flowed through to operating profits, which rose by £26m to £267m.

European operating profits increased by 21 per cent, says the company, adding that North American results recovered somewhat from the low level of first half, though still below those for 1984. Elsewhere, profit growth continued, but at a slower rate.

In Europe, frozen products, food and drinks, detergents and personal products all contributed to the profit increase. The gain in food and drinks stemmed from the Brooke Bond business.

Edible fats consumer goods businesses showed satisfactory profit and volume growth, says Unilever.

North America maintained sales growth which Unilever attributes to its marketplace investments, although these affected operating profits which fell by 22 per cent.

Outside North American and Europe, operating profits rose by 10 per cent, but lower commodity prices are beginning to hit profits of Unilever's plantations business.

Group interest charges, mainly reflecting the Brooke Bond acquistion, rose from £45m to £55m for the third quarter and from £128m to £168m for the nine months.

Total turnover for the nine months amounted to £13.73bn, against £11.91bn, generating operating profits of £770m compared with £719m.

The interim dividend on the 25p ordinary is being raised from 11.49p to 11.57p, while an unchanged Fl 4.68 is being paid on the Fl 20 shares.

Tax for the third quarter was £109m (£101m) and minorities took £15m (£9m).

Results for the third quarter of 1984 included an extraordinary credit of £60m, arising from deferred tax. Excluding this, earnings per share for the quarter were down from 36.61p to 35p.

See Lex, Back Page

Sir Kenneth Durham, chairman of Unilever

Better margins help GEI to 34% profit growth

INCREASED SALES with better margins, has enabled GEI International, specialist engineering and packaging machinery group, to lift its profit before tax by 34 per cent, from £1.31m to £1.75m in the half year ended September 30 1985.

Mr Thomas Kenny, chairman, reports that the outstanding orders at September 30 were at a satisfactory level, despite the trend in the engineering sector for shorter call-off periods.

In the half year sales rose by 10.7 per cent to £35.77m. All divisions were profitable and margins improved, although in some operating companies the competition is intense, the chairman says.

The capital expenditure programme continues and is aimed at protecting margins.

After tax £697,000 (£613,000) the net profit is up from £696,000 to £1.06m, for earnings of 2.9p (2p) per share. The interim dividend is held at 1.94p net; total for the year ended March 31 1985 was 5.85p when pre-tax profits came to £4.27m.

The chairman says that with a strong balance sheet the group can afford to pursue potential acquisitions. This is a continuing exercise.

● comment

While shortening order books are a fact of life that GEI International has had to come to terms with, these interim results look good enough to put the company on course for £4.5m for the year. If GEI has a problem it is in its perhaps over-generous payout policy. Over the past five years retained earnings have been very small. This could be seen as admirable provided the future could also be assumed to be looking after itself. But a switch in policy appears to be taking place. The interim dividend has been held indicating a wish to retain more profits this year and to build up cover. The yield remains good at 8.4 per cent but this is presently gaining from the falling share price, down 1p to 100p, rather than the company's largess. Ten possible acquisition targets are being looked over at the moment but GEI needs to brush up its public relations in the City if it wishes seriously to take to the growth trail. On the forecast and a 40 per cent tax charge, the shares are trading on a prospective p/e of 13.

Microfilm lifts profits and buys Datacom for £7m

BY RICHARD TOMKINS

Microfilm Reprographics, a microfilming business quoted on the unlisted securities market, has agreed to buy Datacom, the unquoted parent of a group of companies mainly involved in transforring computer data to microfilm.

Yesterday's announcement of the deal coincided with the publication of Microfilm's results for the year to June 30 showing pre-tax profits of £580,000 against £261,000 on turnover of £3.8m against £2.2m.

Earnings per share are up from 4.67p to 10p and the directors are proposing a single final dividend of 1.5p (1p).

The acquisition of Datacom is to be financed through a vendor placing of 2.1m new ordinary Microfilm shares at 350p a share, putting a value of £7.1m on the deal. Morgan Grenfell, bankers to the issue, will offer existing Microfilm shareholders up to 50 per cent of the new shares at the placing price on the basis of one new share for every six held.

Brokers to the issue are Cazenove and Anderson.

Microfilm came to the USM in 1981. Its main activities are the conventional microfilming of documents and a computer output microfilm (COM) service, which transfers data held on magnetic media directly to microfilm.

Datacom's trading activities were bought from Unilever Computer Services in April this year by its managing director and staff. COM accounts for more than 90 per cent of its turnover, but it also does conventional microfilming. Turnover in the year to last September was £2.6m against £1.7m for the nine months to September 1984, with operating profits of £605,000 against £251,000.

Datacom is based in London and has regional offices in Birmingham and Leeds. Microfilm sees its activities and geographical spread as complementary to its own. Datacom's existing management team will stay in place.

Microfilm said yesterday that the acquisition represented an important opportunity to buy a profitable and well-managed business which would broaden its customer base.

"The board believes that the enlarged group will be in a much stronger position to take advantage of the rapidly-expanding COM market nationally and to make acquisitions in related fields," it said.

Microfilm's shares closed 25p up at 410p.

Berkeley Exploration and Petranol in talks

Another merger in the small UK oil company sector could result from the talks between Berkeley Exploration and Production and Petranol. The companies, in response to market speculation, announced yesterday that the two boards are in talks.

Petranol is nearly twice the size of Berkeley and has a full listing as opposed to the smaller company's USM listing. However it is understood that Berkeley is planning to make an all-share offer for Petranol. A further announcement is expected soon.

LAKE VIEW Investment Trust's net asset value per share, prior charges at par, stood at 173.8p (173.8p adjusted for scrip) at September 30, and with prior charges at market value, 174.5p (174.8p adjusted). Investment income for the half year was down from £2.42m to £1.93m and net revenue £1.41m (£0.87m). Earnings per share were down from an adjusted 1.56p to 0.96p.

AAH in £5m expansion

AAH Holdings, the solid fuel, pharmaceutical supplies and road haulage group headed by Mr William Pybus, has expanded its operations into the soaps and toiletries field via the £5.1m purchase of two companies from IG Manufacturing.

The whole of the purchase price has been satisfied by the issue of 3.08m new AAH shares, which have been placed on behalf of the vendors.

The two companies bought are Intergen Beauty Products and Berkely Perfumery (Home and Overseas). They are contract manufacturers of soaps and toiletries, with premises in London and Eastbourne, Sussex.

Net tangible assets of the two were £3.1m at the end of last October, including £474,000 net cash in hand. Combined pre-tax profits in the year to June 30 1985 came to £978,000.

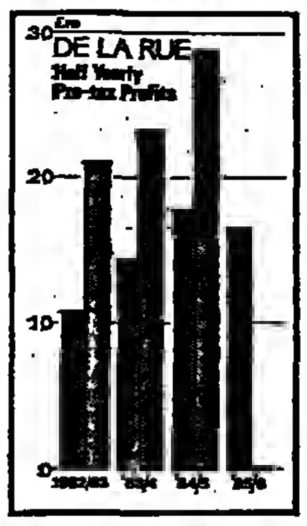
De La Rue shares hit by midway profit fall

A FALL of £1.28m in profits to £16.41m for the half year ended September 30 1985 is reported by the security and electronics group De La Rue. The result is around £2m below the City's expectations, and the shares ended the day showing a drop of 25p to 780p.

Earnings were clipped from 31.5p to 30.4p per share, but the interim dividend is again 8.25p net.

Sir Arthur Norman, the chairman, says the outcome for the full year will compare favourably with the record last time (pre-tax profits were £46.4m), even taking into account changed circumstances.

These arise on the recent sale of Security Express. One of the effects has been to raise the proportion of sales made overseas to some 90 per cent of group turnover, and consequently the state of the world economy and the value



of sterling are critical factors in the group's performance, explains the chairman.

Security Express was sold in June to Mayne Nickless of Melbourne, for £15.7m. This realised an after-tax profit of £4.5m which will be taken as an extraordinary credit in the year's accounts.

The group operates as security printers and makers of electronic equipment for the printing industry. In the six months, turnover from security fell from £107.53m to £81.05m and profit from £13.15m to £10.26m, while electronics accounted for a turnover of £52m (£49m) and a profit of £2.95m (£2.58m). The combined trading profit to turnover was 9.9 (10) per cent.

Net interest payable was up to £2m (£1.7m), leaving the trading profit at £11.21m (£14m). But some cushion was provided by an increase in related companies' share from £3.67m to £5.2m.

Exports from the UK, including sales to overseas group companies, were £81.5m, compared with £85.5m.

Results of overseas subsidiary and related companies have been translated into sterling at the respective half year exchange rates.

Tax takes £4.2m (£4.88m) and minorities £584,000 (£805,000), to leave the net attributable profit at £11.58m (£12m).

● comment

Some analysts had apparently taken De La Rue's licence to print money rather too literally. And July's warning by the chairman that the first half would be a lesser part of the annual whole than usual reached only the few who were present at the AGM. As a result these interims failed to match optimistic forecasts and the shares came off very sharply, losing 55p just after the announcement to hit a low for the year of 750p. In the end the harsh judgments were mellowed, although forecasts for the year have been cut back by some £4m to £49m, and the shares closed down 25p to 780p. It seems the market had not allowed for (and is not being told much about) the impact of a 14 per cent adverse swing in the dollar/pound rate on a company which derives 90 per cent of profits from overseas. The losses on Printrack in the US also remain a (growing) unknown in the results equation. But Swiss and Nigerian associates did very well as did Crosfield. The security side has lost £20m in almost profitless turnover as a result of the April departure from the group of Security Express. When the market takes the revised forecasts into account a prospective p/e of 9, 31 per cent tax, may seem a little ungenerous.

Suter lifts stake in Newman Industries

Suter, the engineering, distribution and packaging group headed by Mr David Abell, has increased to 7.41 per cent its stake in Newman Industries, manufacturer of industrial fasteners and electrical motors.

J. Bibby surges by 77% and growth continues

J. Bibby & Sons, industrial and agricultural group, yesterday reported record pre-tax profits of £21.93m for the nine months to September 28—up 77 per cent on the £12.38m for the same period of 1984.

Bibby has altered its year-end from December 29 to September 28 but pre-tax profits for the 12 months to September 28 1985 still show a big increase, 66 per cent, over the £18.7m for the 12 months to September 29 1984.

Earnings per 50p share for the nine months were 12.49p—55 per cent higher than the 8.07p in the same period of 1984. The final dividend is raised to 4p a share, making a total of 5p (3.94p adjusted).

Sales were up nearly 80 per cent from £189.97m to £341.35m.

Growth continued throughout the group, according to Mr Bas Kardol, chairman, and there were excellent performances from Princeton Packaging, acquired in April 1985, and the materials handling division.

Mr Kardol said yesterday he expected another year of solid growth. "We will continue to expand the activities of the company both by encouraging organically-generated growth and by suitable acquisitions," he said.

Bibby looks likely to spend £20m on capital projects in the current year, including £8m on Princeton in the US, and if it can find the right deals, another £20m on acquisitions.

Mr Kardol said later there was no particular deal in prospect but "we are ready to take on new things within the divisions we have. We do not really want to lose the balance between the divisions in the long term."

The debt/equity ratio is down from 52 per cent to 36.4 per cent and Mr Kardol said Bibby would be happy to let it rise above 45 per cent for an acquisition.

Although first acquisitions are more likely to be for cash, Barlow Rand, the parent company, said it was willing to see its holding diluted from 86 per cent towards 50 per cent for the right acquisitions.

The most likely areas for expansion appear to be scientific products, seeds, materials handling and speciality papers.

During the nine months the UK economy had continued to grow relatively strongly, he said, but was now showing signs of a slackening in pace.

In the US, the growth of 1984 and early 1985 had not been maintained and, consequently, trading prospects were not expected to be as good.

However, he said, the group would benefit from a full year's earnings from Princeton Packaging and from a continuing capital expenditure programme.

In the nine months, trading profits rose sharply from £12.12m to £21.31m, with another £621,000 (£264,000) from associates. Tax in the UK took £6.36m and overseas £1.66m, compared with a total of £4.88m in the nine months ended September 28 1984.

Minorities accounted for £7,000 (£79,000) and extraordinary items £247,000 (£151,000), giving attributable profits of £13.66m (£7.24m).

A total of £39.2m was spent on acquisitions and fixed assets, of which £27.7m represented the proceeds of the rights issue last March.

In the nine months, the industrial group continued to benefit from the integration of J. & J. Makin Paper Mills, bought in May 1984, and from new products in the paper and science divisions, according to Mr Kardol. However, difficult market conditions caused a sharp reduction in profits from the industrial services operations in the US, he says.

The agricultural group improved its performance in spite of unfavourable conditions in the UK—the combination of milk quotas and disastrous summer weather. The seed business had another good year; Twydale Turkeys and pig production operations did well, he says, and animal feed maintained its market share.

Princeton Packaging, manufacturer of polythene wrapping products and paper and plastic bags and sacks, greatly exceeded expectations, says Mr Kardol, with profits after tax 40 per cent up on the warranted profits stated at the acquisition.

● comment

Of the three major businesses which went into the new Bibby a year ago, agriculture has done exceedingly well to show real growth in tough market conditions (animal feed volumes were sharply down). But Bibby's industrial service activities found the going very tough in the US, and consequently struggled, while profits from the Barlow distribution companies also fell slightly adrift. For the whole group to show such a striking advance in earnings was really possible only through the fortunate acquisition of Princeton packaging. The exchange rate movement has, of course, detracted from the outstanding performance of this US subsidiary, but cannot disguise the fact that Bibby, which at 250p trades on around 14 times its rolling 12-month earnings, made a remarkably shrewd purchase; with hindsight, Princeton was acquired on a prospective multiple of about four. That coup may be hard to repeat, but the interest in Bibby shares will probably not revive until further acquisitions increase the free market float; and another Princeton would certainly help.

Controls systems loss at Yarrow

LOWER PROFITS are reported by Yarrow for the year ended June 30 1985. At the pre-tax level they came to £1.53m, compared with £1.61m last time, on turnover ahead from £23.62m to £25.79m.

As a measure of confidence in the future, the directors are increasing the dividend by 1p to 12p net, with a final of 9.5p. Principal activities of the group are maritime engineering consultancy and the manufacture of fare collection systems.

The profit comprised a trading surplus £882,000 (£852,000) and investment income and interest £973,000 (£1m), less central costs £325,000 (£246,000).

The YARD group maintained a high level of activity and lifted its turnover to £14.84m (£10.93m) and its pre-tax profit to £1.23m (£665,000). The results have been achieved in the principal defence business and in the broader commercial field in which this side has been making significant progress. The directors say it should continue to achieve satisfactory results and profits.

This result, however, was offset by a setback in the controls systems group. A delay by bus operators in ordering new ticket machines meant that turnover fell from £12.26m to £10.67m. This, together with an exceptional stock provision of £389,000, led to a pre-tax loss of £348,000, against a profit of £965,000. Last year there were also losses of some £800,000 on discontinued toll and security systems, etc.

However, with its improved range and the successful penetration of the US market, the company has the ability to return to a satisfactory level of profit, the directors state.

After tax £454,000 (£334,000) the net profit comes through at £1.08m (£1.28m) for earnings of 26.9p (31.9p) per share. Last time there were extraordinary debits of £215,000.

The company says the compensation issue in respect of the former nationalised shipbuilding subsidiary has not yet been resolved, but significant progress has made been in the year. The European Court of Human Rights is now considering the case.

WILLIAM COOK & SONS (Sheffield), steel founder, is offering cash and unsecured loan notes to the value of £1.34m for Robert Hyde and Son, Chesterfield-based engineer and steel founder. Hyde, a private company, suffered a pre-tax loss of £393,000 for the year to end-July 1984, when its share capital and reserves were 2.8m. It estimates a pre-tax profit of about £180,000 for the year to end-July 1985. The offer is an alternative to an existing offer made by the management of Robert Hyde.

UK COMPANY NEWS

Pilkington pays £42m for US contact lens maker

BY DAVID GOODHART

Pilkington Brothers, Britain's biggest glass maker, yesterday announced its first move into the growing contect lens market with the acquisition of the loss-making **Syntex Opthalmics** of the US for $60m (£42.5m).

It said the purchase, subject to the approval of government bodies in bolh the US and UK, will be funded from the proceeds of its £105m rights issue in 1984.

Syntex, based in Arizona, manufactures and markets the Polycon rigid gas permeable contact lens and the Polysoft soft contact lens. The bulk of its sales are in the US, a market estimated to be growing at about 17 per cent per year. It also makes lenses at Farnham in Surrey and has a distributioo operation in Canada.

To the end of July 1984 Syntex made net profits of $2.2m on turnover of $47.3m but this year it made a loss of $4.8m oo turnover of $47.6m. Its assets represent only about 3.5 per cent of the mother company, tha Syntex Corporation.

Pilkington said that just over a third of the price, $22m, is for goodwill. It has long been a maker of glass lenses and through Sola Optical, of Australia, its major ophthalmic division subsidiary, it has also made plastic lenses. To the end of March 1985, the ophthalmic division had a turnover of £82.7m out of group turnover of £1.226bn.

Pilkington's venture into contact lenses will be managed by Sola Optical, which has marketing and manufacturing facilities in Australia, the US, South America, Mexico, the Middle-East, the Far East and on the Contioent.

Mr David Roberts, chief executive of the opthalmic divisioo, said: "Syntex Opthalmics is a major strategic opportunity for the division with considerable growth potential in the US and in world markets. Our international opthalmic distribution network will also market Syntex's contact lenses to many other parts of the world."

Pilkington said that, including the latest deal, about £70m of the £105m rights issue had been spent. The largest other acquisition was an extension of its stake in Libbey-Owens-Ford, the second largest US glass maker.

The market reactioo to the acquisition was mixed. The share price dropped 10p to close at 283p.

Jas. Neill attacks Spear's performance

James Neill Holdings, the band tool manufacturer making a £13m takeovec bid for **Spear & Jackson,** claimed yesterday that the real value of Spear shares had fallen dramatically since 1977, when the company last faced e bid.

Neill said that Spear shares, adjusted for inflation, had halved in value between the lapsing of the 1977 bid by Hestair and the announcement of its offer at the end of September.

In a letter to Spear shareholders, it argued that this drop "directly reflects the company's poor performance over this period. Eveo though retail prices have more than doobled, Spear's sales, profits and dividends in 1984 are all tower than they were in 1976," it said.

The letter claimed Spear had feiled to capitalise on its well established brand name in the hand tools market. It had placed undue reliance on handsaws, where imports accounted for more than 50 per cent of the market, and bad failed to develop sufficieot other products.

Mr Leonard Grosbard, Spear's managing director, hit back last night, saying Neill bad made no attempt to answer the serious charges Spear had levelled against it, notably that more than 50 per cent of its shareholders' funds were invested in dying sectors. This, be said, contrasted with the position at Spear, where "we have taken our knocks and got ouc problems behind us."

Hill Samuel, Neill's merchant bank, bas booght a further 100,000 Spear shares, lifting its holding to 7.1 per cent The offer reaches its second closing date on November 19.

Burmah Oil sells UK Rawlplug interests to Williams Holdings

BY DAVID GOODHART

Williams Holdings, the engioeeriog and foundry group, continued its rapid growth by acquisition yesterday, revealing it has acquired Burmah Oil's UK Rawlplug businesses for £11.5m.

Williama has paid for the company throngb a vendor placing—issuing 3.1m new shares, representing 16.4 per cent of the enlarged share capital. The shares were placed at 371p. The market respooded approvingly to the news and pushed Wiliams' share price up 25p to 415p.

Rawlplug makes the well-known DIY fixture of the same name but nearly two-thirds of its business is in manufacturing fixing material for the building and civil engineering industry. Williams will alao be acqutring Rawlplug's Mason Master drill business in Ireland.

Rawlplug's assets sland at about £14m, but Mr Nigel Rudd, Williams' chairman, said that he had paid only about £7m for the basic business with £3.7m accounted foc in a loan that Burmah will now repay Rawlplug.

One of the main attractions to Williams is that 70 per cent of Rawlplug's castings are currently made in Germany with the remaining 30 per cent made by Williams itself. "We are likely to bring some of that work back to the UK to use some of the spare capacity in our fouodries," said Mr Rudd.

Rawlplug made a pre-tax profit of £1.5m last year on turnover of £19.7m, which included £485,000 of interest from the loan to Burmah. Its main operations are in Glasgow and Braunston, near Rugby.

Williams, one of the popular group of small engineering related companies, acquired J. and H. B. Jackson for £32.4m in an agreed bid earlier in the year.

Pre-tax profits for the first half of 1985 were up 8 per cent at £2.69m on turnover of £47.85m. The share pcice has more than doubled this year.

Williams will be conlinuiog its normal practice of putting in a team of four oc five people to look at Rawlplug, assuming the deal is approved by aharcholders at the end of Novembec.

Burmah said the sale is in line with its strategy of concentrating resources on its core businesses, and follows the sale last week of Quinlon Hazell Automotive Australia to GKN for £4m.

The Rawplug companies in France, the Netherlands, South Africa and Sweden will remain part of Burmah's investment and dlatribution division. However, Willtams will be inheriting the dealerships in those countries.

Burmab's share price fell 2p to 298p.

COMPANY NEWS IN BRIEF

NORMANS GROUP, discount food retailer, is to acquire the freebold reversion of its retail warehouse at Hove, Sussex, from Surelodge Investments for £1.65m, which will be satisfied by the issue of 2,455,223 ordinary shares.

ECCLESIASTICAL Insurance Office cut its underwriting loss from £1.6m to £618,000 in the half-year ended August 31 1985. Investmeot income was £2.07m (£2.06m) and realised investment profit £400,000 (£626,000). Profit was £2.06m (£1.25m) before charitable grants. Tax took £812,000 (£420,000). Long-term assurance and premium income was £6.31m (£6.21m).

YEARLING BONDS: The interest rale for this week's issue is 11⅛ per cent, up one eighth of a perceotage point from last week and compares with 10 per ceot a year ago. The bonds are issue at par and are redeemable oo November 19 1986. A full list of issues will be published in tomorrow's edition.

STAFFORDSHIRE POTTERIES' shareholders were told by Mr Bill Bowers, the chairman, that the company's policy of improving the product range cootinoed and was reflected in a healthy ordec book and full use of production facilities. He said thal UK retail activity was encouraging, but current rates of foreign exchange were a restraint on the growth of overseas sales. Prevailing rates of interest underlined the necessity to achieve further reductions in borrowings, he added.

MAJEDIE INVESTMENTS stales that dividends payable in respect of former abarebolders of Barlow Holdings, witb which it merged earlier this year are 5.82p (6.14p) per share adjusted for the sbare exchange uoder the scheme of arrangement with Barlow Holdings, and to pre-existing shareholders of tbe company, 5.2p (3.8p) per share. It is the directors' inteotion to pay an interim dividend of 2p per share lo June 1986, and to maiotain the final. Net asset value per share rose from 198.9p to 217.98p lo the year to September 30, 1985, and the figure (unaudited) bad riseo to 229p at November 11. Stated earnings per share increased from 7.89p to 8.54p during the year. Net income was £2.91m (£2.77m) and inelnded investment income, £3.48m (£3.42m), but was after administration costs, £575,000 (£648,000). Tax took £667,000 (£701,000).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total foc year	Total last year
J. Bibby & Sons	4	Jan. 15	3.55	5¶	5.25
Craig & Rose ......int	8	Jan. 9	8	—	47
De La Rue	8.25	Jan. 3	8.25	—	30
GEI ......int	1.94	Jan. 17	1.94	—	5.85
Unilevec ......int	11.57	Dec. 23	11.49	—	35.52
Unilever NV ......‖int	4.66	Dec. 19	4.66	—	14.11
Yarrow	9.5	—	8.5	12	11

Dividends shown pence per share except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. ¶ For nine mooths (12 months). ‖ In Dutch Fl.

UK COMPANY NEWS

Lisa Wood examines the monopoly investigation of a brewery takeover bid

S & N cleared to swallow Brown

Scottish & Newcastle can renew its bid for Matthew Brown. However, the Monopolies and Mergers Commission's report published yesterday giving the green light also stressed its support for continuing "viable and vigorous" regional brewers.

The 67 page report marks the first investigation by the Commission into the takeover of one British brewer by another. Scottish & Newcastle withdrew its bid for J. W. Cameron last year following a referral to the Commission.

While welcoming the report, S & N was cautious over its next step with the bid for Matthew Brown lapsing at the time of referral. Mr Alec Rankin, managing director of S & N, said yesterday that time was now needed to study the findings in greater detail before making any further statement on intentions.

The highly contested bid was referred by the Government on April 24. Matthew Brown, brewer of Slalom lager and Theakston ales, is based in Blackburn and has 527 tied pubs with more outlets in Cumbria than any other brewer. Scottish & Newcastle, brewer of beers such as McEwan's and Kestrel lager, is one of the so-called "big six" national brewers although with 1,446 pubs it has far fewer than the national competitors. One of Matthew Brown's main attractions for S & N is its tied estate.

Issues examined by Commission included the likely effect on competition, prices, consumer choice and employment.

The Commission concluded: "We discern no material advantages to the public interest arising from the proposed merger, but the question before us is whether the merger may be expected to operate against the public interest, and in our view there are not sufficient grounds for such an expectation."

The report however does not give a green light to other national brewers which may have been considering acquiring other regional brewers to gain outlets for beer and exploit retailing opportunities in such pubs.

The Commission said it was desirable that there should continue to be viable and vigorous regional brewers. "But this does not mean that no mergers involving regional brewers should be allowed to take place. There may well be a strong case on public interest grounds against acquisition of a regional brewer by any of the five largest national tied estate brewers but we are not convinced that in the interest of averting further concentration there is a strong enough case to prevent the acquisition of Matthew Brown by S & N."

The brewing sector has remained remarkably silent on the issue with three of the other five main national brewers not wishing to comment on the proposed merger when the Commission asked for submissions. The main national brewers include Bass, Allied Breweries, Whitbread, Watney Mann & Truman and Courage. One of 15 regional brewers supported the proposed merger, while seven opposed and the remainder offered no comment.

Individuals in the industry who commented included Mr Charles Tidbury, a former chairman of Whitbread and the Brewers Society, who said approval of the merger could open the way to a spate of further takeovers by the big brewers.

> The merger could enhance S & N's ability to compete with national brewers "but we still do not think the effect could be very great"

In discussing competitive aspects the Commission concentrated on on-trade pubs in Cumbria and was told by Matthew Brown that the merger would substantially diminish competition in the area where it owns 40 per cent of tied houses. S & N argued that it was mainly supplying free-houses in the area.

The Commission concluded that taking tied and free-houses together the combined total of a merged business would be about half of the business in the area. But free-houses and clubs could change their supplier.

On the issue of general competition S & N had argued that the acquisition would enable it to compete more effectively against national competitors. Matthew Brown argued that even with the merger the group would have much fewer outlets than other national brewers. "In order to pursue the logic of its policy S & N would therefore have to attempt to acquire the tied estate of other leading regionals in other parts of the country to the point where it had a totally balanced tied estate," said Matthew Brown.

The Commission said. "The acquisition of Matthew Brown might do something to enhance S & N's ability to compete with the national tied estate brewers but we still do not think the effect could be very great because S & N would still be much smaller than any of them in terms of national tied estate."

In discussing prices the Commission said that it did not think the merger would have any marked adverse effect. Matthew Brown had argued that there were strong grounds for thinking that an increase in beer prices would result from the merger.

On brands, and consumer choice the Commission said it seemed unlikely that S & N would drastically rationalise the range because the brewer was anxious to take advantage of the local image enjoyed by Matthew Brown's beers in the North West and Cumbria. Matthew Brown had argued that it said practical difficulties in a combined sales force successfully marketing what were already two comprehensive and competitive product ranges. "The inevitable result," it told the Commission "would be early and substantial rationalisation of the list."

A lare part of Matthew Brown's hostility to the bid had centred on employment. It argued that the merger would result in closure of some, or even all, of Matthew Brown's four breweries. S & N argued that if such losses were to occur at two of the breweries they could not be attributed solely to a merger as it was likely that in due course Carlisle and Workington breweries would be closed even if Matthew Brown remained independent. Matthew Brown said its policy was to keep them open but it could give no assurances.

The Commission, which received a submission from the North West Regional Office expressing concern over unemployment in the area said: "Whether the merger takes place or not, the future of these breweries cannot be regarded as totally secure." The Carlisle brewery employs 60 people and the Workington brewery employs 110.

Doubled profits at DDT

DDT Group doubled pre-tax profits to £289,000 in the half-year ended September 30 1985 from a 36.3 per cent increase in sales. The group manufactures and maintains computers and associated components and its shares are traded on the USM.

Mr James Crook, chairman, says DDT Maintenance continued to grow at the rate of the last two years. At DDT Maintenance (Ireland) there was a significant rise in turnover and pre-tax profits of £29,000.

Data Design Techniques achieved a 19 per cent rise in turnover and turned in a profit.

Group sales moved ahead from £2.62m to £3.57m and a gross profit of £2.29m (£1.7m) was earned. Operating expenses rose from £772,000 to £986,000, but £88,000 of that represented exceptional costs associated with the purchase of Haradash, the maintenance operation of CPU Computers.

Mr Crook says the integration of this operation is virtually complete and he is confident that substantial benefits will continue to show through in greatly improved profits.

He says the third party maintenance market remains buoyant and he firmly believes that DDT is in a strong position to take advantage of the continued growth in that area.

Tax took £146,000 (£67,000) to leave the half-year net earnings at 2.5p (1.6p) per share. For the year ended March 31 1985, the group made pre-tax profits of £713,000 and paid a dividend of 1p. The 1.49m shares issued as consideration for the Haradash purchase will rank for the current year's dividend.

• comment

DDT's diminishing dependence on the supply of computer peripherals and the increasing dominance of its computer maintenance activities have enabled it to escape the misfortunes which have befallen others in the sector and produce healthy profits growth. The emphasis on maintenance has been given further force through the acquisition of LSI Computer Ancillaries, which added £230,000 of turnover to the maintenance activities in the first half: its gross profit contribution of £70,000, however, was wiped out by £88,000 in acquisition costs and a net profit contribution will have to await the second half. Another restraint has been a switch from reducing balance to straight line depreciation, which has taken an estimated £50,000 off the pre-tax figure. DDT's income is heavily skewed towards the second half and £1m appears to be well within reach for the full year. The group is in a strong competitive position in a growth market but remains wedded to an unfashionable sector, and the prospective p/e ratio of 16 after a 38 per cent tax charge suggests that the shares, unchanged at 155p yesterday, are up with events.

Attwoods buying two quarries

Attwoods expects to complete later this week the acquisition of Branshaw Quarry and Baransdale Bar Quarry for £750,000 to be satisfied by the issue of 672,492 ordinary shares, not ranking for 1984-85 dividend.

The shares are being placed with institutional clients on behalf of the vendors—Heritable and General Trust, and Creatborn (Holdings)—which is in receivership—at 112½p each.

Both quarries are in Yorkshire and contain around 8m tonnes of limestone, of which about half carries planning permission for extraction. They further contain some 2m cubic metres of consented land filled airspace.

BUSINESS MORTGAGES TRUST reports pre-tax profits up 40 per cent to £1.14m in the six months to September 30 against £818,000 last time. This is its first report since a full Stock Exchange listing earlier in the year. The directors say demand for the company's services has remained strong during the year.

FKI Electric buys TI companies in £6.8m deal

BY FRANK KANE

FKI Electric, a rapidly expanding electrical and electronic engineer, yesterday announced its largest purchase since its full Stock Exchange listing in 1983. It has bought four companies that were part of the transport equipment activities of TI Group, one of the UK's leading engineering companies.

In addition to a cash payment of £3.05m, FKI has also repaid the company's overdrafts, amounting to around £3.71m—in effect a purchase price of £6.76m for the company's net assets of £3.7m at the completion date.

Mr Tony Gartland, FKI's chairman, said that the object was to get the companies into better shape. "The current turnover is around £17m, he said "and we will probably trim that." For the rest of 1985 he expected the companies to just about break even, but he looked for a profit of £2m next year on turnover of approximately £15m.

The acquisitions, which he said would complement FKI's activities, are: TI Crypton, engine tuners; TI Bradbury, which makes lifts and ramps; TI Transervice; and TI Transport equipment, a garage equipment company. They operate from freehold premises in Bridgwater, Somerset, and from Braintree, Essex, with a depot and offices in Northamptonshire.

The enlarged FKI group will have a net turnover of about £40m. Mr Gartland said he expected its growth record to continue, although the proceeds of the £7m rights issue last March was used up.

GREENSTAR HOTELS has agreed to buy Mogfords at a value of £3m. The total consideration is £2.45m to be met by the issue of 5m Greenstar shares and £1.2m cash; and Greenstar will assume net liabilities of £550,000. Mogford owns the Wrens Old House Hotel at Windsor, and the White Hart Hotel at Sonning on Thames. On completion, the parent company Greenstar Leisure will hold 40 per cent and the Mogford family 33 per cent of the enlarged equity of Greenstar Hotels. The new group is expected to produce profits of £400,000 in 1986 and eventually apply to join the USM.

Checkpoint Europe jumps 68%

CHECKPOINT EUROPE, safe and security device company, increased pre-tax profits by 68 per cent to £217,000 in the six months to September 30 against £129,000 last time, on sales up 44 per cent to £3.31m (£2.29m). Tax took £77,000 (£31,000) and there were extraordinary debits of £51,000 (£84,000), giving attributable profits of £89,000 (£14,000). Earnings per share, before extraordinary debits, were 3.5p (2.45p).

UK COMPANY NEWS

Antique dealer in £2.5m cash call under BES

BY TERRY GARRETT

Antique Dealers International is asking the public for £2½m under the Business Expansion Scheme to fund an increase in its antique exporting and extend its restoration and reproduction workshops.

An offer for subscription of 2½m shares at £1 each, par, is sponsored by Margetts & Addenbrooke, the broker, which is already confident of attracting at least £1m of investors money. The offer, which opens next week, closes on December 16.

The company was formed last April to purchase an antique dealing and restoration business for £220,000 from Stuart Pattemore, now an executive of ADI. Founding shareholders paid the same price for their shares as that placed on the equity now on offer.

Their incentive comes in the form of warrants, unusual in a BES operation, with two attached to each ordinary share held by the present holders. These are triggered between 1989 and 1992 once earnings reach over 10p a share, giving an effective entry price of 40p a share for the founders.

Provisional clearance has been given by the Inland Revenue, although ADI's directors were warned that their company must be seen to be a "trading" company and not keep more than 20 per cent of funds raised in long-term stocks.

Although the Revenue warning may be largely irrelevant to ADI, which will trade in second line antiques and will be a "real" business with a small manufacturing shop employing 40, it could cause concern elsewhere. Some BES funds have amounted to little more than stockpiles of fine wines or antiques locked away to appreciate for five years.

The Revenue has already acted against farming and property development and now appears to be warning the current rash of fine art/antique-related BES companies.

An earlier court ruling [not connected with BES] indicated that a trading company would have no more than 20 per cent of its funds tied up in long-term stocks. This could be the base line the Revenue uses to reject tax relief for some companies that already have provisional clearance.

ADI's main activity is buying antiques and period reproduction furniture and selling them primarily for export. Reproduction furniture is made to order.

Net proceeds of the issue will be used to expand turnover and stock and to acquire larger premises. It is now based in a small workship in Somerton, Somerset.

Because ADI has been trading for only a few months, albeit profitably, the prospectus cannot contain any meaningful record nor can any realistic forecasts be made. Nevertheless, with obvious caveats from the reporting accountants, Arthur Andersen, an illustrative five-year financial projection is prepared assuming that ADI raises just £1m.

This, taking a modest growth rate of around 10 per cent in sales, suggests that profits in year five could be around £317,000 pre-tax although it shows how profits can swing if circumstances change.

Ultimately it is the directors' intention to take ADI to the USM.

Placing puts £5.6m value on Cheshire Wholefoods

By Terry Garrett

A PLACING of 1.68m shares in Cheshire Wholefoods, one of the country's largest manufacturer of muesli, has been completed raising a total of £1.8m and valuing the company at £5.6m.

At the issue price of 110p per share, Cheshire is coming to the USM on a prospective p/e of 14.7, assuming an actual tax rate of 31 per cent, and a yield of 4.75 per cent.

The company was started in 1975 by the current deputy chairman, Mr Philip Thomson who was later joined by his brother Ian, now chairman, and Mr Geoff Gornall, managing director.

Its first major supermarket order came in 1979 from Fine Fare, and Cheshire now supplies its own brand and private label products to a large number of major retailers which together represent 55 per cent of the UK grocery trade.

Riding on the back of strong growth in the national consumption of bran and muesli products, profits have risen from £33,000 in the year to March 1983 (there were small losses in the two previous years) to £316,000 in 1984-85. Sales increased over the same period from £1.9m to £4.6m.

The directors are forecasting profits of not less than £550,000 pre-tax this year. If the company had been quoted for a full year, a dividend of 3.56p would have been paid.

Much of the issue proceeds will go to the existing shareholders and after expenses £593,000 will be raised for the company. This will be used to finance the development of further natural food products and increase production facilities. Ultimately the company sees potential for selling its products overseas, including the US.

Central Sheerwood on recovery path

BY FRANK KANE

Central and Sheerwood, the engineer recently rescued on the brink of receivership, yesterday reported a sharp reduction in losses for the first half of 1985.

The result for the period to the end of June was a loss of just £105,000—on turnover of £29.71m (£30.55m)—against a £4.79m loss at the comparable stage and a £12.71m deficit at the end of 1984. However, Mr David James, the group managing director, warned that the improvement in the second half would not be of the same order.

Mr James said there were exceptional profits in the first half which would not be repeated. In particular, there was a £470,000 foreign currency surplus relating to the Ransomes and Rapier subsidiary, as well as a £634,000 below-the-line profit representing net surplus on disposal of three other offshoots.

He also said that the second period would see costs relating to the recently announced redundancies in the R & R and Newton Chambers operations. Mr James stressed, however, that these represented a reduction in overheads, rather than a drop in production capacity. "We currently have the highest volume of tenders in our history," he added.

Even when the redundancy costs were taken in, the outcome for the full year was likely to show a very substantial improvement over 1984. There were positive trends in all three operating divisions, said Mr James, who added he was delighted at the recovery they were making.

The second half would also see the savings associated with the reduction of total space occupied at the R. & R plant at Ipswich. The company has plans for the alternative use of this land, said Mr James, and negotiations in this respect are moving swiftly ahead.

In the period under review, the Newton Chambers Group showed a trading profit of £527,000. At the Holcombe Dunn machinery and foundry business, there was a trading loss of £64,000, though this is now improving and will be reflected in the second half

Authority Investments shows losses of £2.6m

Authority Investments recorded pre-tax losses of £2.6m against profits of £423,000 for the year to April 30, 1985. There is no dividend—the last payment was in December 1975. There was a loss per 20p share of 52p against earnings of 8.32p.

The board decided that Knowsley and Company, a subsidiary, should achieve an exceptionally high liquid position. Cash held by Knowsley with prime banks at the year-end amounted to £24.5m compared with £17m.

In addition, it was decided to create a general reserve of £2m against the loan book and not to credit Authority with a profit of £681,000 for a property transaction where contracts have been exchanged but which is not completed. These arrangements have resulted in the heavy losses announced.

Although, as a result, Authority's balance sheet will show a deficiency of net assets, the underlying value of current assets, mainly property, will result in the overall value of the group's net assets showing only a small downturn from £13.7m to £13.4m.

Group turnover from other activities during the year amounted to £2.51m compared with £4.26m. Administration expenses were down from £613,000 to £531,000 and other operating income came to £395,000 against £392,000.

A related company incurred losses of £21,000 against profits of £10,000. Net interest charges were down from £2.23m to £1.97m.

Reed Publishing falls by £1.3m

Lower pre-tax profits, down from £18.6m to £17.3m, are reported by Reed Publishing Holdings, a subsidiary of Reed International, for the half-year to September 29 1985.

The directors say Reed Publishing continued to perform strongly in the UK, but consumer publishing suffered from weak advertising demand in the women's weekly magazines section.

Turnover for the half-year fell from £265.5m to £208.5m. Tax was reduced from £7.2m to £5.4m. Stated earnings per share improved from 8p to 8.4p.

Comparable results include figures for London and Provincial Posters for the two months preceding its sale in June 1984, and for Mirror Group Newspapers for three months preceding its sale to Mr Robert Maxwell's Pergamon Press in July 1984.

In his last annual report, in July, Mr L. A. Carpenter, the chairman, said the group would remain a substantial publishing business which would be developed by new product launches, capital investment and acquisitions. Exhibitions and trade fairs were also seen as an area for development.

Among Reed's principal subsidiaries are Business Press International, the Messenger Press, Mega Newspapers, IPC Magazines and the Hamlyn Publishing Group.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Brown Shipley, Ecabric, Electra Investment Trust, External Investment Trust, A. Goldberg, Land Securities, London Trust, Plantation Trust, Regalian Properties, Tesco, Valor.

Finals: New Court Trust, Redfearn National Glass, Smiths Industries, Wade Potteries.

FUTURE DATES

Interims—

British Tar Products	Nov 19
Brown (N.) Investments	Nov 21
Cape Industries	Dec 4
Dixon (David)	Nov 26
Harrisons Malaysian Plants.	Nov 27
Hunter Saphir	Nov 21
Lewma	Nov 29
Readicut International	Nov 19
Robertson Research	Dec 4
S & U Stores	Nov 15
Scott Greenham	Nov 19
Wedgwood	Nov 21

Finals—

Burton	Nov 21
Blyde Blowers	Nov 15
G.R. (Holdings)	Nov 14
M & G Group	Dec 19
Morland	Nov 28
Pineapple Dance Studios	Nov 16

APPOINTMENTS

New chief executive at ML Holdings

M L HOLDINGS has appointed Mr Peter G. Pollock its group chief executive. Mr Pollock was finance director. Mr Anthony P. Smith, finance director of M L Aviation Co, is appointed group chief accountant. Mr Smith remains secretary. Mr L. W. Downie is appointed financial controller of M L Aviation Co, he joins the group from Westland where he held a number of posts in the operating divisions. Mr Eric Sidebotham is appointed to the board of M L Engineering (Plymouth). Mr Sidebotham previously held senior positions in the railway signalling and electronic industries.

★

Directors have been appointed to the board of MILLER BUCKLEY PROJECTS, part of the Miller Buckley Group. Mr Bernard Reading becomes executive chairman and other directors are Mr Paul Smith, Mr David Steele and Mr David Wilson. Mr Terry Amos has been appointed managing director of Stratheden Homes, the sheltered housing arm of the group.

★

ANGUS FINE CHEMICALS has made Mr Kieran Brady, formerly projects manager of Squibb-Linson, process development director of its new facility in Ringaskiddy, Co. Cork. Angus Fine Chemicals is a joint venture between Angus Chemical Co and the French chemical firm, Isochem.

★

Mr Judd Kinne has been appointed a director of VICKERS DA COSTA, stockbrokers.

★

RS COMPONENTS has appointed Mr Alan Greener to the board as director for warehousing and distribution at its headquarters complex at Weldon, Northamptonshire. Mr Greener joins RS from Imerial Foods, where he was responsible for nationwide warehousing and distribution of HP Foods and Golden Wonder products.

★

SAPA HOLDINGS has made the following organisational changes: Mr Max Mines will relinquish his position as deputy chairman and chief operating officer of the holding company and several operating companies at the end of December 1985, but will stay with the SAPA Holdings Group as a non-executive director. Mr Mines will be succeeded as chief operating officer by Mr Claes Simonson. Mr Simonson will be succeeded as managing director of SAPA Aluminium Profilo GmbH in West Germany by Mr Kare Wetterberg. At SAPA Ltd Mr Bergenhem resigns as board chairman, but remains a director. He will be succeeded by Mr Peter Keijzer who is managing director of Scandex NV. Mr Keijzer will take on additional responsibilities as head of a new holding extrusion division which will coordinate the combined resources of SAPA Ltd, UK, SAPA Germany and Scandex in Holand. At Monarch Aluminium Mr Robin Greenslade is appointed chairman and chief executive and Mr Dusan Beim is promoted to director and general manager with responsibility as chief operating officer. Mr Kelvin Ashby will join the board as technical director. Mr Simonson will be chairman of the boards of Securistyle and Consort. Mr Andrew Deeks is to be chairman of Chadwicks.

★

Mr A. L. McHugh, director and general manager of Domestic and General Insurance Company, has been appointed a director of WAICO, the group holding company.

★

MEL, Crawley, a Philips company, has appointed Mr Ian Barclay as marketing director. He joined from Allegheny International where he was marketing services director, industrial division.

★

Mr Barry W. Drinkwater has joined the board of E. P. INTERNATIONAL. He was previously with STC Telecommunications and ITT Components Group Europe.

★

Mr J. M. Glover, secretary of the Dundermline Building Society, has been elected to the board of FUNDS TRANSFER SHARING, one of the founder members of LINK.

★

BENFIELD, LOVICK & REES & CO. has appointed Mr John Coldman a director.

★

Two corporate finance executives, Mr Simon Mellor and Mr Andrew Woods, are to join the board of SAATCHI & SAATCHI COMPANY. Mr Woods is based in New York where he is chairman of Saatchi's US holding company and has been responsible for the implementation of the group's strategic plans in North America. Mr Mellor became corporate development manager in 1980 and associate director in 1983.

★

Mr David Kelly and Mr Bruce Ursell have been appointed to the board of GUINNESS PEAT GROUP. Mr Kelly is due to retire at the end of the year from the main board of PA International. Mr Ursell is a managing director and the operating officer of Guinness Mahon & Co., one of the group's principal subsidiaries.

★

SYNERGY LOGISTICS has appointed Mr Peter Batty to the new post of operations director. He joins Synergy from the Geest organisation.

★

Mr Daniel F. Francis has been appointed a director of ROBERTS, ADLARD.

★

Mr Peter Wheeldon has joined RHP BEARINGS as sales director of the industrial bearings division. He succeeds Mr Ian Galleway who has become managing director. Mr Wheeldon was latterly group marketing director for Cape Friction International.

★

Mr Andrew Boyle, associated with stockbrokers Quilter Goodison & Co and formerly a director of John Govett, has been appointed a non-executive director of NOLTON DEVELOPMENT CAPITAL, wholly-owned investment holding subsidiary of Nolton.

★

Mr Des Glen has been appointed finance director of SHOWERINGS, a member of the wines, spirits and soft drinks division of ALLIED-LYONS. He was finance director of Parrish & Fenn and the Booker Wine companies. The latter combined at the beginning of 1984 to form European Vintners, from which company he now joins Showerings.

★

Mr Edwin Goodall has been appointed finance director of PPL. He was systems director of IBM software house Skynet Computer Systems.

★

Following the acquisition of Maynards Group, WARD WHITE GROUP is restructuring its UK retail management. Mr Roger Pedder, managing director of the Halfords division of Ward White Retail UK, becomes a main board director of the Ward White Group and head of the UK multiple retail division. Mr David Wood has been appointed managing director of Focus Shoes, a division of Ward White Retail UK. Mr Wood was deputy managing director of Focus.

★

NEWMAN INDUSTRIES has appointed Mr David Dunn as group managing director. Mr Alfred Smith has replaced Mr Dunn as finance director.

★

Mr Ken Page-Ritchie has been appointed managing director of POOLE LIGHTING, part of Emess Lighting. He was managing director of Simplicity Patterns UK.

★

Mr John Redwood has been appointed to the board of NORCROS as a non-executive director. For the past two years he has been head of the Prime Minister's policy unit, a post that he recently relinquished on becoming a prospective parliamentary candidate. Mr Redwood was seconded to 10 Downing Street from N. M. Rothschild & Sons, where he was a director of Rothschild Asset Management.

★

Mr Peter Jordan, Mrs Esther Kasket and Mr Martin Williams have joined the partnership of LAURENCE PRUST & CO, stockbrokers.

★

Dr John Lilley has been appointed managing director of the industrial motor division of BROOK CROMPTON PARKINSON MOTORS, a Hawker Siddeley company.

★

Mr Stanton Smith has been promoted from associate director to director of HELIX TECHNOLOGY and HELIX SOFTWARE CONSULTANTS.

★

THE SHEFFIELD INSULATING CO has appointed Mr Frank Prust as company secretary and a member of the group executive board. He joins from County Bank where he was a local director.

★

STERLING GREENGATE has appointed Mr Colin Field as its group technical director. He was employed by Raychem.

CONTRACTS

Computer software for China

SMS INTERNATIONAL, based in the UK, has won a $5m (£3.5m) share of a $10m contract won by its US parent, TTT (Total Technical Services) to provide IBM computer peripherals to China. The parent and SMS will each provide and refurbish 180 peripherals, including disk drives, tapes, and visual display units, to be bought on the open market.

★

Macarthy's, the UK's third largest pharmaceutical wholesaling organisation, has placed orders worth some £1.4m with ERICSSON INFORMATION SYSTEMS for a distributed order processing network. The orders cover twelve System 2500 business computer systems and 170 terminals to be installed in Macarthy's head office and throughout each of its 11 nationwide depots. The new Ericsson systems will provide sales, stock control and accounting functions covering some 19,000 product lines and a customer base of 3,500 and will replace an existing centralised order processing system running on a mainframe computer at the company's head office. The processor in each depot will run an order-processing software package developed by software house Cypher Business Systems. Customer can place orders by telephone, which are keyed in by sales staff, or by portable data terminals leased to customers, which communicate with the System 2500 via modems and dial-up BT lines. When orders are received, the system reports on the availability of stock, and prints out a sales invoice set. This set is also used as an order picking list. The stock control module automatically updates products records, and provides purchase order lists when required. The system will provide route listings for delivery vehicles, and also update the accounting records, which will be kept on Ericsson's THOR II accounting software.

★

COSALT HOLIDAY HOMES, the Hull-based producers of static holiday caravans and larger custom-built holiday homes, has won orders worth nearly £2m. The largest order worth £1m was placed by Haven Leisure for holiday caravans to be sited in the UK and France.

★

CHLORIDE POWER ELECTRONICS, a division of Chloride Systems, has won three contracts totalling over £500,000 to supply battery-based AC and DC power systems for gas and oil platforms in the Norwegian and UK sectors of the North Sea. Largest is a £345,000 contract from Shell UK Exploration and Production on behalf of other parties for seven DC and three AC power systems to provide normal and emergency power for instrumentation, emergency lighting, switchgear, fire and gas alarm systems and telecommunications equipment on platforms in the Sean gas fields.

★

WILTSHIER CONSTRUCTION, part of the John E. Wiltshier Group, has successfully tendered to build an office block in the City. Founders Property Company, Hovo, has awarded the £1.33m tender to erect and complete a six-storey office block at 6-9 Kingborn Street, EC1.

Contracts and Tenders

Company Notices

Clubs

FINANCIAL TIMES

PUBLISHED IN LONDON • FRANKFURT • NEW YORK

Head Office: The Financial Times Ltd, Bracken House, 10 Cannon Street, London EC4P 4BY. Telex: (Editorial) 8954871. Telex: (Advertising) 885033. Telephone: 01-248 8000. Frankfurt Office: The Financial Times (Europe) Ltd, Guiollettstrasse 54, D-6000 Frankfurt-am-Main 1, West Germany. Telex: 416193. Telephone: 7598-0. Editorial: Guiollettstrasse 54. Telex: 416052. Telephone: 7598-157. New York Office: The Financial Times, 14 East 60th Street, New York, NY10022, USA. Telex: 238409 FTOL. Telephone: (212) 752 4500.

INTERNATIONAL & BRITISH EDITORIAL, ADVERTISEMENT & CIRCULATION OFFICES

Amsterdam: Editorial, Advertising and Circulation Singel 512, NL-1017 AX Amsterdam. Telex: 16527. Editorial Tel: 020-276 796. Circulation Tel: 020-239 430.
Birmingham: Editorial and Advertising George House, George Road, Edgbaston, Birmingham B15 1PG. Telex: 338 650. Tel: 021-454 0922.
Bonn: Editorial Heussallee 2-10, Pressehaus II/104, D-5300 Bonn. Telex: 8869 542. Tel: 02221-210039.
Brussels: Editorial, Advertising and Circulation Rue Ducale 39 Hertogstraat, B-1000 Brussels. Editorial Telex: 23283. Tel: 02-512 9037. Advertising and Circulation Telex: 64219. Tel: 02-513 2816.
Buenos Aires: Editorial Edificio Sfico Piso 7, No. 74 Avenida Corrientes 456, Codigo 1366, Buenos Aires. Telex: c/o Reuters (London 24 145). Tel: 01-394 7696.
Cairo: Editorial PO Box 2040, Cairo. Tel: 751 482.
Copenhagen: Advertising and Circulation c/o Dansk Bladdistribution, 5A Rosenborggade, DK-1130 Copenhagen. Telex: 16680. Tel: 01-134 441.
Dublin: Editorial 25 South Frederick Street, Dublin 2. Telex: 25414. Tel: 01-603 378.
Edinburgh: Editorial and Advertising 37 George Street, Edinburgh EH2 2HN. Telex: 72484. Tel: 031-226 4139.
Frankfurt: Editorial, Advertising and Circulation Guiollettstrasse 54, D-6000 Frankfurt-am-Main 1. Editorial Telex: 416052. Tel: 069-75980. Advertising and Circulation Telex: 416193. Tel: 069-75980.
Geneva: Editorial, Advertising and Circulation 15 rue du Cendrier CH-1201 Geneva. Editorial Telex: 22589. Tel: 022-314 242. Advertising and Circulation Telex: 22589. Tel: 022-311 604.
Hong Kong: Editorial 7F Saikon Court, Harbour City, Kowloon. Telex: 57590 FTHKO HX. Tel: 3-722-5457. Advertising 802 Far East Exchange Building, 8 Wyndham Street, Hong Kong. Telex: 60410 Wadco. Tel: 5-266-84315.
Johannesburg: Editorial 706 Union Centre West, 32 Simmonds Street, Johannesburg 2001. Telex: 8-6257. Tel: 011-838 7545.
Leeds: Advertising Permanent House, The Headrow, Leeds LS1 8DF. Tel: 0532-454969.
Lisbon: Editorial Rua da Prior 31-33, 1200 Lisbon. Telex: 12533. Tel: 019-674 406.
Madrid: Editorial Espronceda 32, Madrid 3. Telex: c/o Reuters (London 24145). Tel: 91-441 6772.
Manchester: Editorial, Advertising and Circulation Queen's House, Queen Street, Manchester M2 5HT. Telex: 666 813. Tel: 061-834 9381.
Mexico City: Editorial Calle Disamarca 54-500, Col. Juarez, Mexico 6DF 06600. Telex: c/o Reuters (London 24145). Tel: 592 5822.
Milan: Editorial Piazza Cavour 2, Milan. Tel: 02-706 180/781 075.
New Delhi: Editorial 3 Sardar Patel Marg, Chana Kyapuri, New Delhi 110021. Telex: 8131590. Tel: 011-374 308/011-376 484.
New York: Editorial, Advertising and Circulation 14 East 60th Street, New York 10022. Editorial Telex: 66390. Tel: 0212-752 7400. Advertising and Circulation Telex: 238409. Tel: 0212-752 4500.
Paris: Editorial, Advertising and Circulation Centre d'Affaires Le Louvre, 168 Rue de Rivoli, 75044 Paris Cedex 01. Telex: 220044. Editorial Tel: 01-297 0625/6/7/8. Advertising Tel: 01-297 0621/2. Circulation Tel: 01-297 0620/0623/0630.
Rio de Janeiro: Editorial Avenida Rio Branco 45, Salas 2611/2612, Centro CEP 20090, Rio de Janeiro RJ. Telex: 213 3593. Tel: 021-263 8845.
Rome: Editorial Via della Mercede 55, Rome. Telex: 610032. Tel: 06-678 3314.
Singapore: Editorial Times House, 390 Kim Seng Road, Singapore 0923. Telex: 21239. Tel: 733 2511.
Stockholm: Editorial c/o Svenska Dagbladet, Raalambsvagen 7, S-Stockholm. Telex: 17603. Tel: 08-50 60 88.
Sydney: Editorial PO Box 182, Spit Junction, Sydney. Tel: 02-20924.
Tel Aviv: Editorial 10 Bar Giora Street, Tel Aviv. Telex: 341130/341619/33779. Tel: 03-286 672.
Tokyo: Editorial 8th Floor, Nihon Keizai Shimbun Building, 1-9-5 Otemachi, Chiyoda-ku, Tokyo. Fax: 245 0358. Tel: 03-241 2920/2959. Advertising Kasahara Building, 1-6-10 Uchikanda, Chiyoda-ku, Tokyo. Telex: J27104. Tel: 03-295 4050.
Washington: Editorial Room 504, 1341G Street North West, Washington DC 20005. Telex: 440340. Tel: 0202-347 8920.

For Share Index and Business News Summary, Telephone 246 8026 (number preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester).

All advertising is subject to the publisher's current terms and conditions, copies of which are available on request.

BASE LENDING RATES

ABN Bank	11½%
Allied Dunbar & Co.	11½%
Allied Irish Bank	11½%
American Express Bk.	11½%
Henry Ansbacher	11½%
Amro Bank	11½%
Associates Cap. Corp.	12 %
Banco de Bilbao	11½%
Bank Hapoalim	11½%
Bank Leumi (UK)	11½%
BCCI	11½%
Bank of Ireland	11½%
Bank of Cyprus	11½%
Bank of India	11½%
Bank of Scotland	11½%
Banque Belge Ltd.	11½%
Barclays Bank	11½%
Beneficial Trust Ltd.	12½%
Brit. Bank of Mid East	11½%
■ Brown Shipley	11½%
CL Bank Nederland	11½%
Canada Permanent	11½%
Cayzer Ltd.	11½%
Cedar Holdings	12 %
■ Charterhouse Japhet	11½%
Choulartons**	
Citibank NA	11½%
Citibank Savings	¶12½%
City Merchants Bank	11½%
Clydesdale Bank	11½%
C. E. Coates & Co. Ltd.	12 %
Comm. Bk. N. East	11½%
Consolidated Credits	11½%
Continental Trust Ltd.	11½%
Co-operative Bank	*11½%
The Cyprus Popular Bk.	11½%
Duncan Lawrie	11½%
E. T. Trust	12 %
Exeter Trust Ltd.	12 %
Financial & Gen. Sec.	11½%
First Nat. Fin. Corp.	12½%
First Nat. Sec. Ltd.	12½%
■ Robert Fleming & Co.	11½%
Robert Fraser & Ptrs.	12½%
Grindlays Bank	‡11½%
■ Guinness Mahon	11½%
■ Hambros Bank	11½%
Heritable & Gen. Trust	11½%
■ Hill Samuel	§11½%
C. Hoare & Co.	11½%
Hongkong & Shanghai	11½%
Johnson Matthey Bkrs.	11½%
Knowsley & Co. Ltd.	12 %
Lloyds Bank	11½%
Edward Manson & Co.	12½%
Meghraj & Sons Ltd.	11½%
Midland Bank	11½%
■ Morgan Grenfell	11½%
Mount Credit Corp. Ltd.	11½%
National Bk. of Kuwait	11½%
National Giro Bank	11½%
National Westminster	11½%
Northern Bank Ltd.	11½%
Norwich Gen. Trust	11½%
People's Trust	12½%
PK Finans. Intl. (UK)	12 %
Provincial Trust Ltd.	12½%
R. Raphael & Sons	11½%
Roxburghe Guarantee	12 %
Royal Bank of Scotland	11½%
Royal Trust Co. Canada	11½%
Standard Chartered	‖11½%
TCB	11½%
Trustee Savings Bank	11½%
United Bank of Kuwait	11½%
United Mizrahi Bank	11½%
Westpac Banking Corp.	11½%
Whiteaway Laidlaw	12 %
Yorkshire Bank	11½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 6.00% gross.
¶ 21-day deposits over £1,000 6.25%.
‖ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand dep. 0%. Mortgage 13%.

FT COMMERCIAL LAW REPORTS

Parents lose capital to moneylenders

COLDUNELL LTD v GALLON AND ANOTHER
Court of Appeal (Lord Justice Oliver and Lord Justice Purchas): November 8 1985

A CHARGE on property made to secure e loan is not voidable as against a creditor on the ground that it was procured by undue influence, if the influence was exerted by someone other than the creditor or his agent. And if a licensed moneylender is untainted by undue influence and the interest charged was not unreasonable, the burden on him to prove that the bargain was not extortionate extends only as far as showing that be acted as an ordinary commercial lender would be expected to act.

The Court of Appeal so held when allowing en appeal by licensed moneylenders Coldunell Ltd from a decision by Judge McManus in the County Court to set aside a legal charge made between them and Mr Gallon ("the father"), and bis son, Mr William Gallon, as surety. The decision was made in an action by the moneylenders against the father and his wife for repayment of a loan and possession of their home.

* * *

LORD JUSTICE OLIVER said thet on February 26 1982 a legal charge was made on tha father's bungalow to secure repayment of a £20,000 loan within six months.

The fether was a retired compositor entitled to a small pension in eddition to his state pension. The bungalow, in which he and bis wife lived, represented substantially bis only capital. At the material time he was 86 and the mother was 91.

The son was about 50, and was e good deal more sophisticated than his parents. He had been to a grammar school, had some insurance broking experience, and was engaged in various activities in the UK and abroad.

He needed money urgently and at Christmas 1981 the fether unwisely offered to help him. In February 1982 the son approached moneylenders with a proposal that they should lend £20,000 to his father on the security of the bungalow.

Their terms were a first charge on the bouse and interest at 20 per cent. They knew the loan was to enable money to be advanced to the son, and expected repayment to be made by him. They made no inquiries about tbe father's age, circumstances or income, but simply referred the matter to their solicitors to make the necessary arrangements.

On February 16 1982 the son prepared a letter to the solicitors purporting to bear the fatber's signature, authorising them to make the necessary property searches. There was a further letter purporting to assign to the father certain cattle (which, according to the evidence, was non-existent), in consideration of his agreement to allow the son to secure the loan.

Following a title search, the solicitor prepared e form of ebarge for execution by the father, and e form of consent to be signed by the mother. The solicitors' evidence was that these were seot to the mother and fether separately under cover of two letters both dated February 19 1982.

The letter to the father pointed out that he should seek separate legal advice before completing. The letter to the mother said she should sign the form of consent, after consulting e solicitor.

The parents denied receiving the letters. On February 23 the son turned up with the documents. The following day, by prior arrangement with the son, a solicitor (a Mrs Bennett), explained the form of consent to the mother and witnessed execution of the form and the charge.

On February 26 the son took the completed documents to the solicitors who bad been put in funds by the moneylenders. They wrote a cheque for £19,658 (£20,000 less their charges) in favour of the father.

The chequa was handed to the son. It was then endorsed in favour of a company with which he was connected, the signature of endorsement purporting to be the father's. The son thus became possessed of the sum lent by the moneylenders to the fether.

The son failed to pay interest and the moneylenders commenced proceedings to enforce the charge. In the action they sought payment of principal and interest, au against the father, and possession of the bungalow as against both father and mother.

Judge McManus found that the transaction was disadvantageous to the father; that the letter of February 16 was not written by the father; that the father and mother did not receive the letters dated February 19; and that the father neither received nor endorsed the cheque for £19,658.

He concluded that the moneylenders must have known that the son could be expected to have influence over his parents. Applying *Avon Finance v Bridger [1985] 2 All ER 281*, be considered there was a burden on the moneylenders to show that the father had been independently advised, which they failed to discharge. He held that the charge ought to be set aside.

In *Allcard v Skinner (1887) 36 Ch D 145* Lord Justice Cotton drew a distinction between two classes of decision relating to disadvantageous transactions brought about by undue influence—where actual undue influence was exerted, and where the relationship between the parties was such as to raise e presumption of undue influence.

In either case it had to be shown that the transaction constituted a manifest disadvantage to the party seeking to avoid it, explicable only on the basis that undue influence had been used to procure it.

Once it was shown that the person in e dominant position had echieved an unconscionable bargain, he was saddled with the burden of establishing that no domination was practised, for instance by demonstrating the fact of separate and independent advice.

There was ample material on which the judge could find that the father was not independently advised.

Mr de Lacy, for the moneylenders submitted that there was no presumption of undue influence of son over father, and that there was no evidence on which the jndge could have found actual undue influence.

That was unacceptable. First, there was the discrepancy of ege and education. There was evidence thet when the father produced the land certificate, his son reached over and grabbed it saying: "That's what I want"; that the father had been over-reached by his son on e previous occasion; thet the son's collateral security was non-existent; that the father had no idea of the amount of the interest payments.

The mother's evidence was that when she signed the consent, ber son hed his arm across the document and said "You sign these, mother." She also said be was "in a devil of a burry to get this thing signed," and that be promised he would pay.

That was confirmed by Mrs Bennett, who said not only that be was in a burry, but that he was unhappy about ber explaining the form of consent to his mother.

There was meterial on which the jndge could properly conclude that undue influeoce was exerted by the son, quite apart from the manifestly disadvantageous nature of the transaction from the parents' point of view.

Mr de Lacy's crucial submission was that, even assuming undue infloence and absence of independent advice, the jndge was wrong in holding that the transaction was voidable against the moneylenders, inasmuch as there was no evidence that the son acted as their agent in obtaining the charge.

The authorities which demonstrated voidability for undue influence, he submitted, were all based on the concept of the person exercising the influence having acted as the lender's agent (see *Chaplin [1908] 1 KB 233; Avon Finance; Kings North Trust, unreported CA February 21 1985*). They were distinguishable because in all cases the lenders had left it to the principal debtor to obtain execution of the document, whereas in the present case, the transaction was to be completed by the moneylenders' solicitors.

Those solicitors thought they had dispatcbed documents direct to the father and mother with e covering letter specifically directing attention to the desirability of obtaining independent legal advice. They could not, it was submitted, be held responsible if, after the documents were returned to them executed in the presence of a solicitor, it transpired that that counsel was ignored.

The proposition that the moneylenders eppointed the son as their agent to obtain his parents' signature, or that they had "left it all to the son," was not supported by the evidence. To grant equitable relief to the father and mother in respect of the son's acts done without the moneylenders' authority or knowledge, was to go further than any decided case had yet gone.

The judgment on that part of the case could not stand.

The alternate ground on which the judge decided the case was that the bergain was extortionate within sections 137 and 138 of the Consumer Credit Act 1974, and could therefore be reopened pursnant to section 139.

The judge was satisfied that the rale of interest charged was not unreasonable. Section 138 contained an alternative definition of an "extortionate bargain" as one which "otherwise grossly contravened the ordinary principles of fair dealing." That argued a fairly high burden of proof, but the burden was reversed by section 171(7) which placed on the creditor the burden of showing that the bargain was not extortionete.

Mr de Lacy submitted that if there was nothing unusual about the terms of the bargain itself, the burden was sufficiently discharged by showing that the solicitors took—or thought they had taken—the precaution of drawing the father's attention to the desirability of obtaining separate advice.

That submission was accepted. Once the judge's conclusion that the mooeylenders were tainted by the son's undue influence was rejected, the burden east on them by section 171 must be sufficiently discharged by showing that the bargain was on its face a proper commercial bargain, and that they acted in the way that an ordinary commercial lender would be expected to act.

The appeal sbould be allowed.

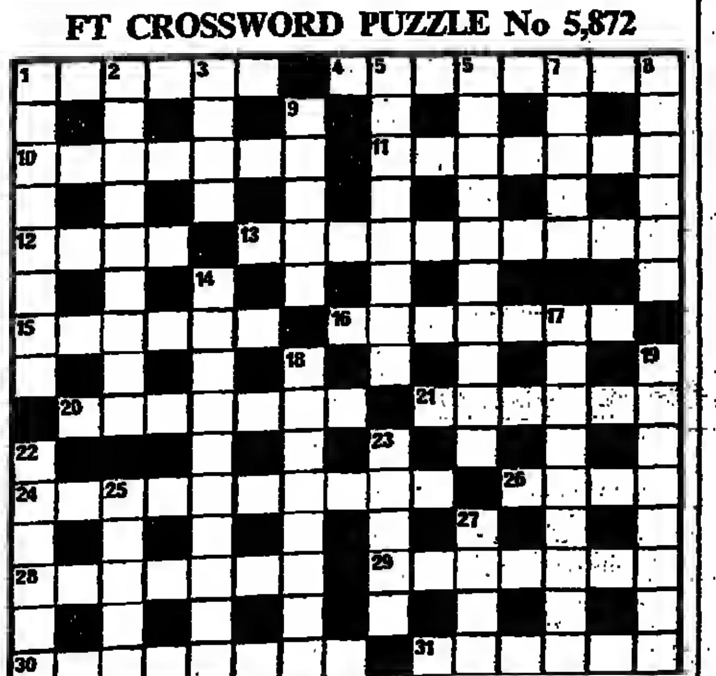
Lord Justice Purchas gave a concurring judgment.

For the moneylenders: Richard de Lacy (Reginald Johnson and Co, Hayes).

For the father and mother: Peter Birts (Coole and Haddock, Horsham).

By Rachel Davies
Barrister

FT CROSSWORD PUZZLE No 5,872



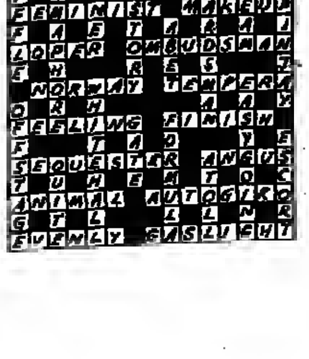
ACROSS

1 Result of running repair (6)
4 Fabric produced only when ready money is shown first (8)
10 Ten fuddled with drink weave around (7)
11 He made engravings of boar and wild hart (7)
12 As a container it can't be beaten (4)
13 Revolver used in the race (5-5)
15 Descend on fire (6)
16 He made an unexceptional plea for blessing (4, 3)
20 Lie in a furrow with the hunt milling around (7)
21 Payment received by letter (6)
24 Do in? (5, 5)
26 Spent American notes (4)
28 One would feel put out to be treated so (7)
29 Restore two kinds of fabric (7)
30 Expressed at even greater length (8)
31 Confine one after another, we hear (6)

DOWN

1 Frenchman who wrote about Shetland (8)
2 To run in is, perhaps, an act of encroachment (9)
3 Murphy sliced a golf shot (4)
5 Fit to follow Charlton in football (8)
6 They may have been responsible for early road hold-ups (10)
7 Strange oriental lake (5)
8 Get out of breath, being no longer fit (6)
9 The boy came up to me for reward (5)
14 Boy not getting up for a dance (10)
17 Unwillingly late (9)
18 Stand on both sides (8)
19 Leg bound to be broken by heavy stick (8)
22 It's said to produce a smile (6)
23 Navigational aids for e sailor on ship (5)
25 Fully employ—an umbrella for example? (3, 2)
27 Worked at the wheel for a stretch (4)

Solution to Puzzle No 5,871



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE — Dlg. 01-236 3885

International Growth	98.5	104.9	+1.1	1.40
Income & Growth	43.5	46.3	+0.3	3.00
Special Situations	54.2	57.7	-0.1	1.90
American Growth	26.4	28.1	+0.3	1.80
Japan Growth	34.0	37.0		—
European Growth	42.8	45.7	-0.7	2.80
UK Growth	41.9	44.8	+0.3	0.90
Pacific Growth	32.7	34.9	+0.2	2.20
High Income	28.6	30.6	-0.1	7.40
Practical Income Units	43.8	46.6	+0.2	2.70
Practical Accum Units	78.8	83.9	+0.4	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB — 01-405 8441

Pearl Growth Fd.	67.5	71.8	-0.1	3.43
Accum Units	99.8	106.2	-0.2	3.43
Pearl Inc.	95.5	101.6	-0.1	4.92
Pearl Unit Tst.	100.8	107.2	-0.1	3.92
(Accum. Units)	170.2	181.1	-0.2	3.92

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames — 0491 576868

Growth	206.0	221.1	+2.1	1.47
Income	148.5	159.1		5.44
Worldwide Recovery	114.1	124.6	+0.6	2.10
American Growth	57.0	61.2	+0.5	1.04
Intl. Emerging Cos.	61.1	65.4	+0.5	0.68
Far East Growth Fd.	52.3	56.1		1.00

Prolific Unit Trusts
222 Bishopsgate, London EC2 — 01-247 7544/7

Prolific Far East	112.3	174.5		0.17
Prolific Extra Inc	67.3	71.4	+0.2	5.58
Prolific Convert & Gilt	84.1	89.2	-0.1	7.02
Prolific High Inc	142.3	150.9	+0.2	5.00
Prolific Intl	87.7	93.3	-0.8	1.75
Prolific N. Amer.	115.6	123.0	+1.4	2.30
Prolific Spec. Sits	159.2	168.0	+0.7	1.46
Prolific Technology	97.4	103.6	+1.0	0.69

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG — 01-749 9111

Japan Inc.	54.0	57.2	-0.1	—
Japan Acc.	54.2	57.4		
Worldwide Inc.	53.0	56.1	-0.3	2.25
Worldwide Acc.	53.4	56.6	+0.2	2.22
European 7¼ Inc	62.0	65.7	+0.3	1.30

Swiss Life Pen. Tst. Man. Co Ltd (a)(s)
99-101 London Rd, Sevenoaks — 0732 450161

Equity Dist.*	232.9	246.4		3.41
Equity Acc.*	276.4	292.4		3.91
Fixed Int. Dist.†	120.1	124.4		10.07
Fixed Int. Acc.†	169.5	173.6		10.07

*Prices on Nov 1. Next dealing Nov 13
†Prices on Nov 6. Next dealing Dec 4

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 — Dealings to 0264 63432-5

TSB American	94.9	101.0	+1.2	1.35
Do. Accum	98.7	105.1	+1.2	1.35
TSB Extra Income	89.5	95.3	-0.2	5.94
Do. Accum	103.1	109.7	-0.2	5.94
TSB General	128.6	136.8	-0.3	3.20
Do. Accum	208.3	221.5	-0.5	3.20
TSB Gilt & Fxd Int	46.6	48.6		9.14
Do. Accum.	58.4	60.9	-0.1	9.14
TSB Income	178.5	189.9	-0.5	4.69
Do. Accum.	269.2	286.4	-0.8	4.69
TSB Pacific	108.8	115.8	-0.3	0.62
Do. Accum	111.6	118.8	-0.2	0.62
TSB International	240.8	256.2	+1.9	2.00
Do. Accum.	295.5	314.4	+2.5	2.00
TSB Natural Resources	42.3	45.1		2.05
Do. Accum.	43.3	46.1	+0.1	2.05
TSB Sitd. Opps.	49.3	52.5	-0.1	2.12
Do. Accum	53.7	57.2	...	2.11

3i & Target Fund Mgrs Ltd
2 St Mary Axe, London EC3A 8BP — 01-928 3356

Small Co's Fund	66.9	71.1	+0.7	0.10

Target Trust Mngrs. Ltd (a)(g)
Target Hse, Gatehouse Rd, Aylesbury Bks — (0296) 5941

American Eagle	67.2	71.9	-0.9	0.40
Australia	30.5	32.5	-0.2	0.10
Commodity	79.3	85.3	+0.2	2.73
Energy	37.3	39.9	-0.1	2.57
Equity	108.8	116.0	-0.3	3.20
European Spec. Sits.	65.5	70.1	+0.6	0.63
Extra Income	94.2	100.7	-0.2	7.17
Financial	221.9	236.7		2.15
Gilt Capital	222.3	232.8	-0.7	3.25
Gilt Income	100.7	105.4	-0.3	8.50
Gold Income	50.7	54.2		2.30

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 17 London Wall, London EC2N 1DB 01 588 1815				
Deposit	11 10			3-Mth
The Money Market Trust 83 Qn Victoria St, EC4N 0S1 01 236 0952				
Call Fnd	11 19	0 52	12 48	[illegible]
7 day Fnd	11 50	8 60	12 [illegible]	[illegible]
Oppenheimer Money Management Ltd 66 Cannon St EC4N 6AE 01-236 1425				
Call Fnd	10 79	8 0[illegible]	11 [illegible]	Mth
7 day Fund	11 04	8 2[illegible]	12 1[illegible]	Mth
Dollar	6 87			Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq Edinburgh, EH2 4DF 031 225 8484				
Full Service Cur Acc	11.25	0 00	11 78	Qtr
Aitken Hume 30 City Road, EC1Y 2AY 01-638 6070				
Treasure Acc	11 00	8 22	12 11	Qtr
Mth Inc Fnd	11 000	8 2[illegible]	12 10	Mth
Allied Arab Bank Ltd 97/101 Cannon St, London, EC4N 5AD 01 283 9111				
HIBCA	11 50	8 60	12 78	mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH 01-628 8060				
Money Mkt Cheque Acc	11 00	8.22	12 18	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int Cheque	11 0	8.25	12.33	Qtr
Britannia Investment Services Ltd. 74/78 Finsbury Pavement, EC2A 1JD 01-588 2777				
Capes Allen	11 00	8 24	12.20	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH, 01 248 3999				
Sterling	11 13	8.35	12.14	Mth
U S Dollar	7 25	7.25	7 50	Mth
German Marks	4 25	4 25	4 33	Mth
Swiss Francs	1 50	1 50	1 51	Mth
Japanese Yen	5.00	5.00	5 12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Money Market Plus		9 57	14.28	Mth
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9 50	7 10	10 01	Qtr
£2,500 +	12 06	9.02	13 39	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	11 00	8.22	12 11	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc	11 50	8.59	12 26	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt Cheque Acc	11 00	8 22	12 18	Mth
Legal & General (Money Mngrs) Ltd Fitzroy House, 355 Euston Road, NW1 3AG				
High Int Dep Acc	11 62	8.70	8.09	6-mth
Lloyds Bank PLC 71 Lombard St, London, EC3P 3BS. 01-626 1500				
HighIntCheque Account	11 25	8.25	12 16	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	11 500	8.590	12.280	
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
H I C A	11 125	8.31	12 35	Daily
Midland Bank plc PO Box 2, Sheffield. 0142 20999 Ext 8655				
High Int Chq Acc	10 70	8 00	11 95	Qtr
£10,000 +	11.10	8 30	12.39	Qtr
Oppenheimer Money Mgmnt Ltd 66, Cannon St, EC4N 6AE. 01-236 1425				
Money Mngt. Acct	10 875	8.13	12 12	3-Mth
Phillips & Drew Tst Ltd 120 Moorgate, London, EC2M 6XP 01-628 9771				
High Int Chq Acc	11.25	8 41	12 40	Qtr
Provincial Trust (formerly Choularton) 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
Cheque Acc	11 75	8.78	13.0[illegible]	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9BA 031-557 0201				
Premium Account	11 0	8 22	12.1[illegible]	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H I D A	10 70	8 00	11 [illegible]	Daily
Tyndall & Co 29/33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc	11 22	8 39	12 11	Qtr
Money Acc	11 03	8.25	12 15	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827133				
Special Acc	11 08	8 22	12.20	Mth
Over £10,000	11 25	8 41	12 49	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 261031				
High Int Chq Acc	11 56	8 64	12 78	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited

NOTES

[illegible]

OPTIONS

3-month call rates

Industrials			
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk.	35
BOC Grp.	22	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	23	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	$3\frac{1}{2}$	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	$9\frac{1}{2}$
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit. Oil & Min.	$3\frac{1}{2}$
GKN	20	Brit Petroleum	45
Hanson Tst	18	Burmah Oil	27
Hawker Sidd.	36	Charterhall	8
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold.	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

EEC to sell cut-price butter for cooking

By Ivo Dawnay in Brussels

THE EUROPEAN Commission yesterday launched its new disposal programme for stocks of surplus butter with an offer of sharply cut prices for 18-month-old stocks.

The object of the scheme is to provide butter for use in cooking, both to the food industry and to individual consumers.

A new subsidy means that quantities of the 1m tonnes of unsold butter in Community stores can be sold at 70 per cent of the intervention price paid to farmers. It amounts to an additional cost to the farm budget of Ecu 224 (£134) for every 100 kilos sold.

The initial programme is about 40,000 tonnes which will be transformed into concentrated butter, at a retail price aimed at competing with other fats. The plan comes in place of the Christmas half-priced butter schemes of the past which Commission economists have judged to be an inefficient means of disposal.

Stocks will be available from November 25. The Commission claims that the concentrated butter can be used for cooking, particularly frying and roasting.

The cost of keeping a tonne of butter in stock for a year is estimated at about Ecu 400.

"For most European consumers this butter is seen as a genuinely new quality product," a Commission official said yesterday.

Banks revise proposals for tin council rescue

BY STEFEN WAGSTYL

BANKS INVOLVED in the international tin crisis have put forward new financing proposals giving the International Tin Council more time to pay off its debts running into hundreds of millions of pounds.

The package has the support not only of the 16 ITC creditor banks, which put forward plans last week, but also of some 20 other banks which financed the tin trade by lending to traders on the London Metal Exchange.

It is understood that the new package would give the tin council more time to repay its debts—possibly up to five years—compared to the 12 months' repayment freeze which was proposed last week. New loans of perhaps £300m could be on offer.

But it is believed that the banks have budged little if at all on their demands for loan guarantees from the tin council's 22-member governments. ITC delegates have said that this condition could be too tough to meet.

The banks' scheme which has emerged after meetings at the Bank of England, was circulated to ITC delegates yesterday in advance of the council's emergency meeting on the crisis tomorrow.

Representatives of LME ring-dealing traders were told of the proposals at a hastily-summoned meeting at the Bank last night. The Bank continues to see its role in the crisis limited to offering advice and guidance. It has set itself against providing public money to rescue the tin market.

Meanwhile, the LME is coming under intense pressure to change its mind on plans to restart the tin market, which has been suspended since October 24, on next Monday. Banks and metal traders owed money by the tin council want to give the ITC more time to agree to honour its commitments. They fear that the LME might be accused of setting an unfair deadline on the tin council's discussions. The LME authorities however have given no sign of changing their minds and are due to announce special rules for the resumption of tin trading today.

Any deal between the tin council, banks and traders would clearly take time to settle. In particular, all those holding tin—producers, bankers and traders—would need to agree to keep stockpiled tin off the market for years to come to make sure that tin trading resumes in an orderly atmosphere. The tin council has some 62,000 tonnes of tin metal stockpiled, some of it pledged as collateral to banks, and it has agreed to buy a further 68,000 tonnes in the futures market. This is worth over £1bn at the suspension price of £8,140 a tonne, and far less if prices plummet.

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,780-2,860.

BISMUTH: European free market, min 99.99 per cent, $ per pound, tonne lots in warehouse, 3.90-4.30.

CADMIUM: European free market, min 99.95 per cent, $ per pound, in warehouse, ingots, 0.73-0.78, sticks, 0.78-0.83.

COBALT: European free market, 9.5 per cent, $ per pound, in warehouse, 11.05-11.25.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 275-281.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per pound Mo, in warehouse, 2.65-2.70.

SELENIUM: European free market, min 99.5 per cent, $ per pound, in warehouse, 7.10-7.30.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 59-67.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per pound V_2O_5, cif, 2.05-2.15.

URANIUM: Nuexco exchange value, $ per pound U_3O_8, 16.00.

Record breaking coal cargo heads for Britain

BY GERARD McCLOSKEY

THE BIGGEST single cargo of steam coal ever to be despatched direct to Britain is on its way from New South Wales. Its arrival in the first week of December will spearhead increasing volumes of coal now being aimed at the UK's industrial and domestic market. Already two major cargoes have been unloaded from the US.

The Australian cargo—said to be in excess of 100,000 tonnes—like the other deliveries, comes in response to a belief among international coal traders that the National Coal Board is not going to be able to supply all its markets this winter and that there will be a substantial demand for imports.

If the volume of coal which has already entered the UK this year is anything to go by they could be guessing correctly, with imports to the end of August reaching 8.65m tonnes compared with 4.77m tonnes in the first eight months of 1984. Although in August last year the UK coal industry was strike-bound, only 770,959 tonnes was imported compared with 1.09m tonnes in August this year.

What is significant about the Australian delivery apart from its size (the largest previous cargo was little over 70,000 tonnes) is that it neatly sidesteps the major obstacle which has stood in the way of most steam coal imports into Britain until now. Importers have had to choose between two almost equally expensive alternatives of using only small vessels to carry imported steam coal or to break up larger cargoes on the Continent for transhipment to the UK.

This latter option—the one exercised by the Central Electricity Generating Board for its Australian contracts—can add in excess of £7 a tonne to the delivered price.

The massive shipment of Australian coal direct to the UK has been made possible by the British Steel Corporation making available its facilities to unload the cargo. In this instance the Chihirosan Maru will be received at the corporation's Redcar terminal which is usually used to import iron ore and coking coal. The corporation has insisted that it is not prepared to be involved in any third-party business unless it can be assured that the cargo to be landed has already been sold on to distributors.

Already the BSC has permitted two major cargoes to be landed at its Hunterston terminal in Scotland for delivery to the CEGB.

The New South Wales coal, some of it thought to be from the Bayswater Colliery has been sold by Kaiser International to Transcor Coal which has in turn sold some of the cargo to a north-east English coal distributor. Most of the coal is destined for industrial use.

In a significant operation on the west coast the Alabaman producer Drummond has unloaded its first cargo at the Gladstone dock in Liverpool. The Alabaman company, which received a 55,000 tonne cargo from Mobile (again without transhipment), has taken a long-term lease on Gladstone dock.

Gerard McCloskey is editor of the FT International Coal Report.

Mary Frings on the harsh realities facing today's cowboys

Beef in the heart of Texas

FOR GENERATIONS Texans have raised beef and have eaten it with relish—barbecued, hurgured or chicken-fried. Like the Texas-size fly swat sold around Fort Worth stockyards, the typical Texan steak is twice as big as anyone's else's, leaving just enough room on the plate for a spoonful of hash browns.

In the US league table Texas in 1984 had the most cattle operations (152,000), the most farm and ranch land (136.8m acres), the highest number of cattle and calves (14.1m—valued at $4.724bn) and the most cattle slaughtered (6.767m).

Feedlots — where weaned calves are fattened for market —are mainly concentrated in the Texas Panhandle, a grain-growing area bordering Oklahoma and New Mexico, with a good highway system and a relatively temperate climate. Feedlot owners sell cattle almost daily and are far more sophisticated in marketing techniques than the average rancher who sells only in spring and autumn. Because this is where the action is, many of the loading buyers from Chicago and the mid-West have relocated to the Panhandle.

Now the health lobby has got the Texas cattlemen worried, not so much over their own cholesterol intake as over the effect the anti-red meat publicity is having on national consumption patterns.

Since 1980, diet-conscious Americans have been eating more poultry meats and less beef. Not a lot less (72-74 lbs against 76-78 lbs retail weight, each year per head of population) but enough to create an over-supply and depress prices. Producers are losing money at both the cow-calf and the feedlot level.

Exports will not be a compensatory factor until foreign buyers appreciate the distinction between grain-fed American beef and cheaper grass-fed meat from Australia and Argentina. Although the value of beef carcass exports rose from $392m to $470m last year (with 70 per cent going to Japan), this represented only 1.3 per cent of total production.

The fall-off in consumer demand calls for concerted action, according to Mr Dolph Briscoe of Uvalde, Texas. Mr Briscoe, an ex-state governor and a major landowner, strongly supports the 1985 Farm Bill's proposed mandatory $1 per head levy on both home-produced cattle and imported beef, to be used for promotion and product research.

"We need to tell the beef story properly and correctly to the American people, and this mandatory programme is the only way we are going to get adequate funds to do it," he argues. "Some work is already being done on labelling each piece of beef in the supermarkets with the calorie content. We have to get the message across that beef not only tastes good, it's a healthy food to eat and it's reasonably priced."

The membership of the Texas and Southwest Cattle Raisers' Association (TSCRA) has also come out overwhelmingly in favour of the mandatory levy, despite some reservations over the value of previous advertising and deeply-rooted suspicion of anything that smacks of government intervention. One respondent to TSCRA's opinion survey added the comment: "We don't want a bunch of pin-striped bureaucrats getting fat off our backs."

There are no appeals for price support or government handouts. In the words of TSCRA officer Mr Steve Munday: "We've got problems but they are our problems." Mr John Ross, a Texas banker with his own ranch in Montana, concurs: "We are going to have to help ourselves. It will be tough and some people will go broke, but others will come in and the cattle industry will survive."

At the same time Mr Ross concedes that the federal authorities will have to look at the viability of the Farm Credit System as a whole, and perhaps offer guarantees to enable loans to be restructured at lower interest rates.

The FCS is a 12-district co-operative with 37 farmer-owned banks. It raises funds by selling securities on the financial markets and holds some $77bn of the total $213bn of domestic agricultural debt. Two districts, Spokane (Washington state) and Omaha (Nebraska) have had to be rescued from insolvency this year by the other districts, and aggregate non-performing loans could climb to more than $6bn over the next year; of which half may have to be written off.

There is little doubt that because of their high equity to assets ratios Texas cattlemen on average are less heavily indebted than the crop farmers of the Mid-West—even though the Texas Agricultural Extension Service estimates that cow-calf operators have had only two really profitable years (1973 and 1979) in the past 13-year period. The value of land used as collateral has also held up better than elsewhere. Now, however, prices of land beyond the reach of the major conurbations are beginning to slide, and there is additional apprehension over the impact of tax reform.

In West Texas, where it takes 95 acres of arid land to support one cow, many of the old ranching families have been enriched by the discovery of oil and gas on land which was paid for generations ago. With substantial non-farm income, they can choose whether to run a big commercial herd or to indulge in the luxury of raising pure-bred cattle such as Texas Longhorns (now something of an exotic breed) for sale as stud bulls. At his Circle T ranch near Forth Worth, Mr Nelson Bunker Hunt's fancy is racehorses. But in some cases, the softening of the oil market is forcing landowners to liquidate or reduce their herds, for the sake of cash flow.

For the mainstream rancher who is in business for profit, times are as hard as he can remember: "It's a breakeven thing if the land and cattle are your own," says Mr L. E. (Sonny) Nance of Haslet, Texas. "If you had to pay interest on loans it just wouldn't go."

Mr Nance has studied animal husbandry in college and has spent a lifetime with cattle. He employs just four people to run two ranches in Texas and one in Oklahoma, with a total of 800 mother cows (making 1,500-1,600 cattle on hand). Neighbours help each other in roundups and branding, and the working day is 14-18 hours long.

In the brush and (prickly) pear country around San Antonio landowners can earn almost as much from selling licences to hunt wild turkey, quail and white-tailed deer as from running cattle. Others get additional income from recreational facilities (the "dude" ranch) fishing lodges, or from raising zoo animals, sheep or mohair goats.

In a discussion paper published by TAES on alternative programmes for rebuilding beef cattle herds after the worst drought in three decades, agricultural economists say the US already has 5-8m more head of cattle than it needs to supply the available market. They suggest that instead of restocking, some ranchers would be better off liquidating their assets and putting cash in the bank.

In Texas, this would seem to apply particularly to nearly 109,000 ranch operations (71.7 per cent of the total) which run fewer than 50 head of cattle and are by definition uneconomic. Mr Steve Wheeless, a Dallas County agent with TAES, is one of those who recognises that "when your expenses are more than your income it's time to quit." Regretfully since he was raised on a farm and still comes to the office at four in the morning, he has sold his cattle and leased his land. And he will not be going back to it when he retires.

But for the majority—in urban occupations as doctors, lawyers, bankers or civil servants—ranching is not a business, but an appealing life-style . . . part of that mystique of Texas which sent crowds flocking to a "Pioneer Days" celebration in Fort Worth in September, and makes city boys buy expensive western boots in order to drive a souped-up pick-up truck. "We all like to pretend we're cowboys," admits TSCRA's Mr Steve Munday.

This is fine for those who can afford it. A hobby ranch may also have some tax-shelter advantages. At the same time, a commercial rancher points out, the amateur cowboys with their 2m head of cattle are spoiling the market for those whose livelihood depends on it.

TEXAS RANCH STATISTICS

Head of cattle	Number of operations	% of total	Total cattle	% of total
1- 49	108,984	71.7	2m	14.2
50- 99	20,976	11.0	1.55m	11.0
100-499	18,240	12.0	4m	28.4
500 plus	3,800	2.5	6.54m	46.4

Source: Texas and Southwest Cattle Raisers Association.

LONDON MARKETS

LONDON'S COFFEE traders had plenty to chat about at their annual dinner last night. Continuing uncertainty about the extent of the damage done to next year's crop by this year's drought plus a wave of roaster buying, which inevitably sparked off speculative interest, pushed nearby prices up sharply yesterday. The January position finished £83 higher at £1,916.50 a tonne, still some £80 below the level reached before the drought broke 10 days ago. Brazilian dealers were quoted as saying that export demand had been boosted by moves to reduce prices announced at the end of last week by the Brazilian Coffee Institute. They estimated 100,000 bags (60 kilos each) of new business was done on Monday alone. In contrast freer availability of low quality beans depressed London cocoa futures prices and the March position ended £9.50 down at £1,680.50 a tonne. But dealers said there was little good quality cocoa available and physical prices for this grade remained firm.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	660-2	—1	657/656
3 months	686-7	—5	691/687

Official closing (am): Cash 657-.5 (655-6): three months 685-6 (686-7): settlement 657.5 (656). Final Kerb Close: 687.5-8.5. Turnover: 19,600 tonnes.

COPPER

Higher grade	Unofficial close	+ or —	High/low
Cash	969-70	—11.25	958/957
3 months	992.5	+7	995/983

Official closing (am): Cash 957-.5 (968-.0): three months 985-6 (985.5-6): settlement 957.5 (968.5). Final Kerb Close: 991.5-92.

Cathodes			
Cash	948-50	+10	
3 months	975-6	+7	968/968

Official closing (am): Cash 936.5 (938-40): three months 937.5 (968-9): settlement 937.5 (940). Turnover: 32475 tonnes. US Producer prices 65.5/70 cents per pound.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	285.0	+7	280/270
3 months	283.5	+5.75	286/277

Official closing (am): Cash 278-9 (302-4): three months 276-7 (292-4): settlement 279 (304). Final Kerb Close: 286-87. Turnover: 11,225 tonnes. US Spot: 18-75/20 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	2875-80	+60	2850/2858
3 months	2910-0	+45	2990/2885

Official closing (am): Cash 2850-5 (2820-5): three months 2890-5 (2845-7): settlement 2855 (2825). Final Kerb Close: 2915-20. Turnover: 530 tonnes.

ZINC

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	426-8	+25	417/418
3 months	428-40	+16.0	428/409

Official closing (am): Cash 416-8 (400-1): three months 418-29 (411-2): settlement 415 (401). Final Kerb Close: 428-27. Turnover: 14,775 tonnes. US Prime Western: 32.5/35.75 cents per pound.

GOLD

Gold rose $¾ an ounce from Monday's closing level in the London bullion market yesterday to finish at $323¼-$324. The metal opened at $322¼-$323¼ which proved to be the day's low and improved slightly to finished at the day's high. There was little interest in gold, partly reflecting a lack of movement in the value of the dollar.

GOLD BULLION (fine ounce) Nov. 11

Close	$323¾-324	(£225¼-229¾)
Opening	$322¼-323¼	(£227¾-228)
M'nl'g fix	$320.70	(£226.069)
Aft'n'n fix	$323.10	(£228.372)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$330½-333	(£229¼-230¼)
½ Krug.	$172¼-173¼	(£121¼-122)
¼ Krug.	$87½-88½	(£60-62¼)
1/10 Krug.	$35-35½	(£24¼-25)
Mapleleaf	$334-334½	(£235-235½)
Angel	$339-334	(£234½-235)
1/10 Angel	$34-37½	(£24¼-26)
New Sov.	$78½-79	(£55-56¼)
½ New Sov.	$46½-46½	(£32½-33)
Old Sov.	$79-80½	(£55¼-56¼)
$20 Eagle	$450-460	(£310-346½)
Noble Plat	$337½-341	(£236¼-241)

SILVER

Silver was fixed 1.9p an ounce higher for spot delivery in the London bullion market yesterday at 429.9p. US cent equivalents of the fixing levels were: spot 608.3c, up 0.55c; three-month 620.1c, up 0.8c; six-month 632c, up 1.1c; and 12-month 657c, up 1.5c. The metal opened at 428-431p (607-610c) and closed at 430-433p (609-612c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unofficl	+ or —
Spot	429.90p	+1.9	429p	+4.5
3 months	441.90p	+2.1	441.5p	+5.25
6 months	455.60p	+2.2	—	—
12 months	477.10p	+2.1	—	—

LME—Turnover: 26 (42) lots of 10,000 oz.

Turnover: 1,2 sh high/low 427.5p: three months high/low 440p, final kerb 440-2p.

RUBBER

PHYSICALS—The London market opened steady, attracted little interest at the higher levels and closed quiet, reports Lewis and Peat. Closing prices (buyers): spot 56.50p (same). December 55.75p (55.50p). January 56.25p (56.00p). The Kuala Lumpur fob price for Rss No. 1 was 182.0 (same) cents a kg and for SMR 20 was 167.5 (165.0).

INDICES

FINANCIAL TIMES

Nov. 12	Nov. 11	M'th ago	Year ago
—*	—*	249.10	296.22

(Base: July 1 1952=100)

REUTERS

Nov. 12	Nov. 11	M'th ago	Year ago
1741.4	1736.8	1701.0	1880.8

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Nov. 11	Nov. 8	Month ago	Year ago
Spot	120.10	120.06	—	126.60
Fut.	120.06	120.63	—	129.74

(Base: December 31 1931 = 100)

*Not available due to suspension of tin on LME.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Nov. 10 1985	+ or —	Month ago
METALS			
Aluminium	£1100		£1100
Free Mkt.	$980/1000	—15	$1515/85
Copper			
Cash h Grade	£969.0	+11.25	£969.3
3 mths	£992.25	+7	£991.75
Gold Troy oz.	$323.75	+0.75	$327.25
Lead Cash	£285.5	+7	£281.75
3 mths	£283.25	+0.75	£285.75
Nickel			
Free Mkt.	182/202c	+4	194/214c
Palladium oz.	$99.50	+1.1	$101.55
Platinum oz.	$327.00	+0.5	$332.30
Quicksilver†	$280/286		$279/285
Silver troy oz.	429.90p	+1.90	442.80p
3 months	441.90p	+2.15	454.95p
Tin cash	‡		£8790
3 months	‡		£8687
Tungsten	$70.28		$66.75
Wolfram 22.0lb	$60/65		$62/68
Zinc	£427	+26	£451
3 months	£430	+19.5	£460.5
Producers	$800/878		$780
OILS			
Coconut (Phil)	$420w	+5	$440
Palm Malayan	$365z		$360
SEEDS			
Copra Phil	$260w		$285
Soyabean (U.S.)	$223		$211.25
GRAINS			
Barley Fut. Jan.	£110.10	—0.05	£109.85
Maize	£135.00	+1	£137.00
Wheat Fut. Jan.	£111.05	+0.15	£108.75
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1680.5	—9.5	£1749
Coffee Ft. Jan.	£1016.5	+83	£1079
Cotton A Index	48.10c	+0.1	46.70c
Gas Oil Jan.	$264.75	—0.25	$252.25
Rubber (kilo)	56.5p		58.0p
Sugar (raw)	$144w	+3.5	$190
Wooltops 64s	389p kilo		419p kilo

‡ Unquoted. x Dec-Jan. w Nov-Dec. z Dec. † Per 75 lb flask. c Cents per pound. y Jan.

COFFEE

Following a strong New York close London opened £40 higher, reports Drexel Burnham Lambert. Prices fell back slightly but gains were extended during the afternoon as good trade and commission house buying emerged to inspire a steady finish.

Sales: 3,589 (4,084) lots of 5 tonnes.

COFFEE	Yesterday's Close	+ or —	Business Done
Nov.	1870-1875	+75.5	1875-1140
Jan.	1916-1917	+83.0	1918-1869
March	1908-1910	+68.5	1918-1868
May	1912-1915	+73.5	1918-1870
July	1910-1920	+68.5	1920-1881
Sept.	1920-1925	+68.5	1915-1885
Nov.	1905-1925	+52.5	1910

ICO indicator prices (U.S. cents per pound) for November 11: Comp. daily 1979 139.41 (138.32): 15-day average 136.97 (136.00).

COCOA

Futures lacked direction and, although initially a little steadier, lost ground near the close, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Dec.	1632-1633	—14.0	1652-1634
March	1680-1681	—9.5	1696-1677
May	1709-1711	—7.0	1719-1706
July	1738-1740	—3.0	1743-1735
Sept.	1764-1768	+3.5	1768-1759
Dec.	1755-1770	—3.0	1779-1762
March	1779-1780	+8.5	—

Sales: 2,510 (1,858) lots of 10 tonnes. ICCO indicator prices (U.S. cents per pound). Daily price for November 12: 101.10 (101.79); five-day average for November 13: 101.57 (101.75).

SOYABEAN MEAL

FREIGHT FUTURES

The market registered further losses on the opening only to remain within a narrow range for the rest of the morning. Values rose late afternoon as short-covering became evident, despite weaker physical advices, reports Clarkson Wolff. The Baltic Freight Index was 894.5, down 4.

	Close	High/Low	Prev.
Jan.	865/866	866/861	906/880
April	930/932	930	937/939
July	818/828	—	825/828
Oct.	910/917.5	—	915/990
Jan.	925/975	—	925/950
April	960/1020	—	965/1020
July	960/960	—	933/950
Oct.	950/1000	—	942/990

Turnover: 55 (140).

GRAINS

The wheat market again reached contract highs on lack of nearby supplies. Profit-taking eased values slightly but shipper buying always supported the market. Barley was a little easier on lack of export demand, reports Muirpace.

WHEAT Mnth	Yesterday's close	+ or —	BARLEY Yesterday's close	+ or —
Nov.	108.75	+0.25	107.60	—
Jan.	111.05	+0.15	110.13	—0.05
Mar.	113.50	+0.20	112.60	—0.10
May	116.35	+0.15	116.10	+0.05
July	116.90	—0.20	—	—
Sept.	97.30	—0.30	97.60	+0.10

Business done—Wheat: Nov 108.75-8.65, Jan 111.15-1.00, Mar 113.65-3.50, May 116.40-6.35, July 116.00-6.90, Sept 97.30-7.25. Sales: 184 lots of 100 tonnes. Barley: Nov 107.55-7.50, Jan 110.20-10.05, Mar 113.00-2.80, May 115.20-6.00, Sept untraded. Sales: 124 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Nov/Dec 137, Jan 140.05, Feb 142.85 sellers transhipment east coast. US no 2 soft red winter Nov 118.50, Dec 119.50, Jan 120.25, Feb 121.25 sellers. EC French Nov 130. English fed fob Nov 12.00-112.75, Dec 113.00-114.00 buyer/sellers, Jan 113.75 buyer, Jan/Mar 115.25-115.75. April/June 118.00-119.75 buyer/seller east coast. Maize: US no 3 yellow/French transhipment east coast Nov 135 seller. Barley: English feed fob Nov 112.50-112, Dec 112.60-113.25, Jan/Mar 116. Feb/Mar 118.50, April/June 19.50 sellers east coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: E. East 107.40, S. West 103.10, W. Mids 106.40, N. East 103.40. The UK monetary co-efficient for the week beginning Monday November 1 will remain unchanged.

US MARKETS

PRECIOUS METALS gained ground reflecting the firm tone to Financials along with dollar weaknesses, reports Heinold Commodities. Copper firmed on short-covering linked to the market's inability to follow through along with light cash interest. Aluminium remained steady in nervous trade due to uncertainty over the tin crisis. Sugar weakened on reports of Brazilian sales. Cocoa came under pressure on reports of good availability of low quality cocoa. Coffee traded firmer, reflecting good cash sales by Brazil and forecasts of dry conditions in Brazil for the remainder of this week. Cotton steadied awaiting the USDA crop estimate. The energy complex traded mixed with crude oil firm on expectations of increased runs to build up distillate stocks.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
Nov	42.25	—	—	42.15
Dec	42.55	42.60	42.45	42.70
Jan	42.95	—	—	43.10
March	43.70	43.80	43.60	43.85
May	44.40	44.40	44.40	44.55
July	45.10	45.25	45.15	45.25
Sept	45.80	—	—	45.95
Dec	46.85	—	—	47.00
Jan	47.20	—	—	47.35
March	47.80	—	—	48.05

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Dec	2051	2058	2037	2063
March	2152	2157	2138	2158
May	2200	2206	2190	2210
July	2243	2240	2232	2245
Sept	2273	2270	2270	2274
Dec	2296	2299	2290	2284
March	2306	—	—	2294

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Dec	157.98	161.65	157.60	158.00
March	159.04	162.40	159.00	158.42
May	160.63	163.75	160.60	159.98
July	161.95	164.75	161.75	161.30
Sept	162.85	165.75	162.85	162.35
Dec	163.38	165.60	165.00	162.75
March	164.50	164.00	164.00	164.00

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
Nov	60.85	—	—	60.65
Dec	61.20	61.46	60.80	60.80
Jan	61.55	—	—	61.10
March	62.20	62.40	61.60	61.75
May	62.60	62.80	62.30	62.15
July	62.95	63.00	62.80	62.65
Sept	63.35	63.50	63.30	62.95
Dec	64.05	64.05	63.85	63.85
Jan	64.25	—	—	63.85
March	64.70	—	—	64.30

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Dec	61.23	61.29	60.85	61.12
March	61.97	62.10	61.80	62.00
May	62.67	62.75	62.55	62.63
July	61.80	61.85	61.45	61.72
Oct	56.10	56.10	54.40	54.40
Dec	52.65	52.65	52.17	52.23
March	53.10	53.10	53.00	52.65

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Dec	30.87	30.90	30.63	30.69
Jan	29.86	29.91	29.65	29.75
Feb	29.08	29.13	28.90	28.99
March	28.40	28.43	28.26	28.36
April	27.90	27.90	27.75	27.86
May	27.50	27.50	27.38	27.44
June	27.10	27.10	27.02	27.04
July	26.85	26.65	26.80	26.72
August	26.60	26.60	26.45	26.45
Sept	26.35	26.35	26.30	26.25

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Nov.	324.4	322.8	322.8	323.1
Dec	325.8	326.4	324.1	324.5
Jan	327.8	—	—	326.5
Feb	329.8	330.6	328.1	328.5
April	333.6	334.0	332.0	332.3
June	337.8	337.6	336.2	336.3
Aug	341.8	340.6	340.4	340.5
Dec	351.0	351.0	349.3	349.8
Feb	355.8	—	—	354.5
April	360.7	—	—	359.5
June	366.1	—	—	364.9
Aug	371.7	—	—	370.8

HEATING OIL 42,000 U.S. gallons, cents/US gallons

	Latest	High	Low	Prev
Dec	87.30	87.55	87.00	87.83
Jan	87.30	87.70	87.10	87.72
Feb	86.40	86.80	86.05	86.66
March	82.20	82.30	81.90	82.17
April	77.90	78.00	77.60	77.98
May	74.70	74.80	74.50	74.80
June	73.70	73.80	73.25	74.00
July	72.90	—	—	73.60
August	72.45	72.50	72.00	73.15

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Nov	114.25	114.25	114.00	114.00
Jan	114.35	114.80	114.05	114.50
March	114.50	114.90	114.10	114.85
May	114.80	114.50	114.25	114.90
July	114.65	—	—	114.40
Sept	112.25	112.75	112.50	112.25
Nov	112.60	—	—	112.50
Jan	112.85	—	—	112.00
March	113.20	113.50	113.50	113.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Nov	330.0	—	—	325.5
Jan	333.5	337.0	329.5	323.3
April	336.4	340.5	332.0	331.3
July	340.0	340.0	335.5	334.3
Oct	343.9	342.0	342.0	337.0
Jan	346.0	—	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Nov	614.3	513.0	608.5	607.5
Dec	517.0	518.0	609.5	610.5
Jan	621.6	—	—	514.7
March	629.3	630.5	622.1	622.9
May	637.3	636.0	631.0	631.0
July	646.1	647.5	640.0	639.0
Sept	655.2	651.0	649.0	648.5
Dec	669.0	670.0	662.0	663.0
Jan	673.9	—	—	668.0
March	683.5	—	—	677.8

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	5.52	5.50	5.50	5.55
March	6.07	6.20	6.02	6.12
May	6.25	6.36	6.20	6.30
July	6.38	6.51	6.37	6.45
Sept	6.58	—	—	6.63
Oct	6.70	6.81	6.65	6.75
Jan	6.84	—	—	6.89
March	7.24	7.38	7.24	7.34

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	66.50	67.20	66.35	66.87
Feb	62.72	63.65	62.65	63.35
April	61.62	62.25	61.60	61.95
June	61.35	61.90	61.25	61.07
Aug	59.70	60.30	59.70	59.60
Oct	58.56	58.95	58.65	58.70
Dec	60.10	—	—	60.10

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	46.10	47.06	46.10	47.05
Feb	45.57	46.55	45.52	46.55
April	40.85	41.85	40.75	41.85
June	43.15	43.75	43.12	43.65
July	43.65	44.10	43.60	44.05
Aug	42.82	43.95	42.80	42.82
Oct	39.75	39.85	39.55	39.55
Dec	40.95	40.95	40.95	40.97
Feb	41.00	—	—	41.00

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	High	Low	Prev
Dec	237.4	238.0	235.9	237.6
March	244.0	244.4	242.5	244.4
May	247.0	247.4	246.0	247.4
July	248.0	248.4	247.0	248.0
Sept	234.0	234.0	232.6	233.4
Dec	227.6	228.0	226.4	227.4
March	236.2	236.4	235.4	236.4

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	60.50	63.60	60.50	62.50
March	60.67	62.75	60.67	62.67
May	61.60	62.65	61.90	63.90
July	62.37	63.80	62.30	64.30
Aug	59.50	61.60	59.50	61.50

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
Nov	521.4	522.0	519.2	521.0
Jan	530.2	531.0	527.4	530.2
March	540.0	541.0	537.4	540.6
May	546.4	548.0	545.2	547.6
July	551.0	553.4	550.0	552.4
Aug	548.4	551.0	548.4	551.0
Sept	532.0	534.0	531.4	534.0
Nov	528.6	530.0	526.4	528.4
Jan	541.0	541.4	538.4	541.0

SOYABEAN MEAL 60,000 lbs, cents/lb

	Close	High	Low	Prev
Dec	20.56	20.73	20.51	20.07
Jan	20.69	20.85	20.62	20.76
March	20.98	21.15	20.91	21.10
May	21.29	21.40	21.22	21.47
July	21.55	21.80	21.45	21.69
Aug	21.48	21.70	21.45	21.70
Sept	21.45	21.50	21.45	21.60
Oct	21.45	21.60	21.45	21.80
Dec	21.45	21.70	21.45	21.80
Jan	21.45	—	—	21.80

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	148.0	148.4	146.7	147.8
Jan	147.7	148.1	146.6	147.5
March	148.4	148.5	147.3	147.9
May	148.6	149.0	147.8	148.0
July	148.5	149.5	148.3	148.0
Aug	148.0	149.0	148.0	147.2
Sept	146.2	146.5	146.3	145.0
Oct	142.0	143.0	142.0	141.5
Dec	143.2	143.5	142.0	142.5
Jan	143.0	144.0	143.0	142.5

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
Dec	331.6	332.2	328.0	329.0
March	335.2	335.4	333.0	334.2
May	314.2	315.4	313.6	314.4
July	292.0	293.6	292.0	292.0
Sept	293.4	295.0	293.6	293.2
Dec	305.0	305.0	304.4	305.0

SPOT PRICES

SPOT PRICES — Chicago loose lard 20.00 (19.50) cents per pound. Handy and Harman silver bullion 608.0 (same) cents per troy ounce.

MEAT

PIGMEAT—Most positions continued to gain ground in light volume with unchanged physical markets, reports CCST Commodities.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Feb.	101.50	101.10	101.50
April	103.00	103.00	103.00
June	100.30	100.10	100.50
Aug.	99.30	99.10	—
Oct.	104.80	104.30	—
Nov.	105.80	105.90	105.90

Sales: 31 (53) lots of 50 carcases, 3,250 kg.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 93.01p per kg lw (−0.54). GB—Sheep 146.85p per kg est dcw (−0.73). GB—Pigs 82.76p per kg lw (+0.67).

POTATOES

Continuing reports of quality problems in the physical market together with speculation over what decision the PMB will make over contracted tonnage for November/December period (approximately 105,000 tonnes) led to short-covering, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb.	72.00	07.30	72.00-70.00
Apr.	80.60	78.10	80.60-78.50
May	86.30	84.10	86.30-80.50
Nov.	74.00	—	5.00

Sales: 389 (304) lots of 40 tonnes.

SOYABEAN MEAL

The market opened 50p down on light commission house selling, reports T. G. Roddick. Prices drifted further on commercial selling and profit-taking.

	Yesterday close	+ or —	Business Done
	£ per tonne		
Dec.	128.5-130.0	—0.25	130.0-128.0
Feb.	132.0-132.1	—0.30	132.9-132.0
Apr.	131.5-132.0	—0.65	132.5-131.8
June	126.5-126.5	—0.65	126.3
August	126.0-126.8	—0.65	
October	128.0-128.5	—0.55	128.5-128.3
Dec.	150.0-151.0	—	

Sales: 1,003 (764) lots of 20 tonnes.

SUGAR

PARIS—(FFr per tonne): Dec 1425/1429, March 1434/1435, May 1459/1465, Aug 1504/1511, Oct 1520/1538, Dec 1540/1565.

LONDON DAILY PRICE—Raw sugar $144.00 (£102.00), up $3.50 (up £3.00) a tonne for November-December delivery. White sugar $180.00, up $4.00.

The market continued to consolidate at the higher levels in quiet conditions but prices retreated on profit-taking, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Dec.	140.2-143.8	144.0-148.8	147.0-146.0
Mar.	157.6-157.8	159.0-159.4	160.8-156.6
May	161.6-161.8	163.0-163.4	165.0-161.6
Aug	167.0-168.8	168.8-169.0	170.8-169.5
Oct	172.4-172.8	174.0-174.8	175.0-174.8

Sales: 1,619 (1,535) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £206.00 (£204.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for November 11: Daily price 5.56 (5.45); 10-day average 5.36 (5.31).

OIL

CRUDE OIL FUTURES—Brent Blend Index. $ a barrel: (Close, change, business done): Index 28.99, +0.32; Dec 29.40/29.45, +0.23, 29.45/29.25; Jan 28.50/28.60, +0.175, 28.80/28.40; Feb 27.70/28.00, unchanged, untraded; Mar 27.70/27.75, +0.05, untraded; April 26.60/27.50, +0.15, untraded; May 28.10/27.30, −0.025, untraded. Turnover: 32 (212) lots of 1,000 barrels.

Undated Brent and WTI stayed around Monday's highs, while dated cargoes, particularly Nigerian, continued to firm. The Nymex opened 5c down for December, but had recovered 30c by 1.30 pm EST. In the petroleum products market gas oil, naphtha and fuel oil all firmed on short-covering and major and end-user demand—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Dec.		
Arab Light	27.80-27.90	—
Arab Heavy	25.60-25.70	—
Dubai	28.70-28.80	−0.025
Brent Blend	28.90-29.10	+0.10
W.T.I. (1pm est)	30.55-30.65	−0.05
Forcados (Nigeria)	29.55-29.70	+0.250
Urals (cif NWE)	27.95-28.05*	+0.05
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	273-276	—
Gas Oil	276-278	+3
Heavy fuel oil	149-152	+1.5
Naphtha	250-254	+1

* November Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or —	Business Done
	$ U.S. per tonne		
Dec	267.75	−0.75	270.75-66.00
Jan	264.75	−0.26	267.00-63.75
Feb	260.50	—	262.00-59.25
Mar	251.75	—	251.75-50.25
Apr	244.00	−1.00	244.00
May	236.00	−1.75	239.75-36.00
June	232.00	−2.00	235.00-32.00
July	231.00	−1.00	231.00

Turnover: 1,583 (1,935) lots of 100 tonnes.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stays in narrow range

The dollar was confined to a narrow range in very quiet trading yesterday. At the lower end it was supported by some commercial demand while its ability to improve waa inhibited by fears of central bank lntarvention. Consequently the US unit traded within a DM 2.6150-2.6300 range against the D-mark as the market awaited tha release of US economic data tomorrow and Friday.

Thursday seea the release of retail sales figures which are expected to show a fall while Friday's atatiatics includa producer prices and industrial production. The proopect of furthar algns pointing towards an economle alowdown left the dollar slightly weager overall. In addition there appeared to be no consensus on wbathar the Federal authorities were likely to adop1 a neutral, easier or firmer stance on monetary policy.

What demand there was for the dollar seemed to start In London while the tendancy after the opening of US markets waa to sell. The dollar finished at DM 2.6220 from DM 2.6235 and Y205.60 compared with Y205.90. Elsewhere It closed at SFr 2.1520 from SFr 2.1560 and FFr 7.9925 from FFr 8.000. On Bank of England figures, the dollar's exehange rate Index was unchanged at 129.8.

STERLING — Trading range against the dollar in 1985 is 1.4410 to 1.0525. October average 1.4217. Exchange rate index closed at 79.3 from 79.4 at the opening and 79.6 at Monday's close. The six months ago figure was 78.1.

Starling was weaker overall, showing little reaction to the speecb made by Mr Nigel Lawson, Cbancellor of the Excbequer. Sterling cama on offer during the morning and suffered in particular against the D-mark. It recovered later in the day however to finish at DM 3.7025, still its lowest closing level since March however and down from DM 3.7250 on Monday. Against the yen it closed at Y290.5 from Y292.50 and SFr 3.04 compared with SFr 3.0625.

Against the French franc it slipped to FFr 11.29 from FFr 11.36. Sterling foll to $1.4120-1.4130 against the dollar, a fall of 75 points from Monday.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.5960. October average 2.6443, Exchange rate index 127.6 against 121.5 six months ago.

The D-mark remained steady against the dollar in Frankfurt yesterday in very quiet and featureless trading. There appeared to be some reluctance to try to push the dollar firmer amid faars of further central bank intervention. At the fixing the dollar was fixed at DM 2.6238 compared with DM 2.6270 and the Bundesbank sold $15.9m at tha fixing. In the absence of any fresh factors to influence the market, proximity of the year end was already beginning to exert some influence. The dollar closed at DM 2.6240 from DM 2.6250.

£ IN NEW YORK

	Nov. 12	Prev. close
£ Spot	$1.4175-1.4185	N/A
1 month	0.41-0.66 pm	N/A
3 months	1.24-1.20 pm	N/A
12 months	3.85-3.60 pm	N/A

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT — FORWARD AGAINST POUND

Nov 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4105-1.4195	1.4120-1.4130	0.44-0.41c pm	3.61	1.22-1.18pm	3.40
Canada	1.9497-1.9535	1.9505-1.9535	0.53-0.44c pm	2.98	1.45-1.31pm	2.83
Nethlnd	4.16½-4.19¼	4.16½-4.17½	2⅛-1⅞c pm	6.75	5¼-5½pm	5.39
Belgium	74.75-75.24	74.75-74.85	22-17c pm	3.13	81-52pm	3.02
Denmark	13.38½-13.46	13.38½-13.39½	2½-2¼ore pm	2.35	7½-6½pm	2.15
Ireland	1.1983-1.2048	1.1996-1.2006	0.25-0.11p pm	1.80	0.48-0.18pm	1.10
W. Ger	3.69¾-3.73¼	3.69¾-3.70¾	2⅛-2⅞pf pm	7.29	6¼-6⅛pm	6.68
Portugal	229½-233	229½-230½	140-390c dis	−13.83	500-1280dis	−13.48
Spain	227½-228½	227½-228	40-105c dis	−3.82	165-305dis	−4.04
Italy	2,496½-2,513	2,496½-2,497½	2-5lire dis	−1.82	9-14dis	−1.84
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−0.80
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.04
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−1.39
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.45
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.24

Belgian rate is for convertible francs. Financial franc 75.15-75.25. Six-month forward dollar 2.29-2.24c pm. 12-month 3.90-3.75c pm.

DOLLAR SPOT — FORWARD AGAINST DOLLAR

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Nov. 12	Short term	7 Days notice	Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	1⅞-2⅛	1¾-2	[illegible]	[illegible]	[illegible]	4⅞-5
Deutschmrk	4⅜-4⅛	4⅜-4⅛	4⅛-4½	4⅝-4¾	4⅞-4⅞	4⅞-5
Fr. Franc	9⅛-9¼	9⅛-9¼	9⅛-9¼	9⅜-9⅝	10¼-10⅜	10⅜-10½
Italian Lire	12-16½	13¼-14¼	13⅜-14⅛	13¼-13¾	13⅛-13¾	13⅜-13⅞
B.Fr.(Fin)	8⅝-8⅞	8¼-8¾	8¼-8¾	8⅛-8⅜	8⅛-8⅜	8⅝-8⅞
B.Fr.(Con)	8⅝-8⅞	8½-8¾	8½-8¾	8¼-8⅝	8⅛-8⅜	8⅝-8⅞
Yen	7⅛-7¼	7⅝-7¾	7⅞-8	8-8⅛	7⅞-7⅞	7⅞-7⅞
D. Krone	8¼-8	8¾-9¼	8¾-9¼	9-9⅛	9-9⅛	9¼-9¾
Asian $ (Sng)	8⅞-8⅞	8-8⅛	8-8⅛	8-8⅛	8-8⅛	8⅞-8⅞

Long-term Eurodollars: two years 8⅞-9⅛ per cent; three years 9¼-9½ per cent; five years 9½-10 per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days notice.

CURRENCY MOVEMENTS

Nov. 12	Bank of England Index	Morgan Guaranty Change %
Sterling	79.3	−11.8
U.S. dollar	129.8	+18.0
Canadian dollar	88.0	−8.7
Austrian schilling	112.0	+5.1
Belgian franc	92.2	−8.4
Danish Kroner	81.6	−3.0
Deutsche mark	127.6	+6.8
Swiss franc	150.8	+12.4
Guilder	118.2	+5.5
French franc	68.0	−12.5
Lira	44.8	−19.7
Yen	177.4	+29.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Nov. 12	£	$
Arg'tina	1.1320-1.1345	0.8000-0.8010
Aus'alia	2.1495-2.1335	1.0135-1.5100
Brazil	18,395-12,467	8.760-8.805
Finland	7.9370-7.9780	5.6230-5.6850
Greece	216.30-220.97	152.60-155.90
H'kong	11.0330-11.0465	7.8025-7.8045
Iran	122.60*	85.60*
Kuwait	0.4140-0.4145	0.29250-0.29270
Lux'burg	74.75-74.85	52.90-53.00
Malay'a	3.4450-3.4510	2.4360-2.4380
N'Z'land	2.4810-2.4910	1.7465-1.7510
Saudi Ar	5.1610-5.1690	3.6505-3.0510
Sin'pore	2.9920-2.9980	2.1140-2.1160
S.Af.(Cm)	3.7970-3.8490	2.6845-2.7910
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

* Selling rate.

CURRENCY RATES

[illegible]

* CS/SDR rate for November 8: 1.47804.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 12	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Irish Punt	0.724578	0.712244	−1.66	−0.56	±1.6873
Italian Lira	1520.60	1489.58	−2.03	−1.7?	±4.0658

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

US bond strong

US Treasury bond futures were strong, and the dominating influence on the London International Financial Futures Exchange yesterday. The December contract opened at the day's low of 79-18, and encouraged by buying in Chicago rose above the psychological resistance level of 80-00. It touched a peak of 80-18, and closed at 80-05, compared with 79-17 previously.

A relatively low Federal funds rate lent support to the contract, coupled with hopes of a cut in the Federal Reserve's discount rate in the fairly near future. Tomorrow's US retail sales figures for October are expected to be down by about 3 per cent, following the sharp fall in car sales during the month as cheap finance incentives came to an end. Other data, including Friday's industrial production figures, are expected to confirm a sluggish performance by the economy, and increase the likelihood of lower US interest rates.

Dealers also pointed out that Congress was still not agreed on a new Federal debt ceiling, in spite of expectations the Government will run out of money on Friday without an increase. The delay is tending to keep paper in short supply, because the Treasury is waiting to raise new money but is up against its borrowing limit.

Eurodollar futures were slightly firmer, with December delivery rising to 92.12 from 92.11.

Long term gilt futures finished weaker, but above the worst, after an optimistic autumn statement from Mr Nigel Lawson, Chancellor of the Exchequer. The December contract opened at 111-21, the highest level of the day, but met with selling by jobbers. It touched a low of 111-05, and closed at 111-15, compared with 111-19 on Monday, with the late recovery also encouraged by the performance of US Treasury bonds.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4125	1.4083	1.4006	1.3899	1.3743

IMM—STERLING $e per £

	Latest	High	Low	Prev
Dec	1.4100	1.4115	1.4085	1.4165
March	1.3985	1.4005	1.3975	1.4045
June	1.3900	1.3910	1.3880	1.3945

LIFFE—STERLING

[illegible]

LIFFE—DEUTSCHE MARKS

[illegible]

STERLING INDEX

[illegible]

LONDON

[illegible]

CHICAGO

[illegible]

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
1.20	—	—	—	—	—	—	—	—
1.25	—	—	—	—	—	—	—	—
1.30	—	—	—	—	0.05	—	—	177
1.35	—	—	—	—	0.30	—	—	30
1.40	2.55	4.80	—	501	1.40	4.50	—	760
1.45	—	—	—	—	—	—	—	—
1.50	—	—	—	—	—	—	—	—

MONEY MARKETS

A slightly softer tone in London

Intereat rates were slightly lower in the London money market yesterday, but trading was quiet ahead of the Chancellor of the Exchequer's autumn statement. Three-month interbank closed at 11⅛-11⅝ per cent, compared with 11⁵⁄₁₆-11⅜ per cent, while discount houses buying rates for three-month bank bills were nochanged at 11⁷⁄₃₂ per cent.

The Bank of England forecast a money market shortage of £300m in the morning, but changed this to £250m at noon, and to £200m in the afternoon. Total help provided waa £206m, through outright purchases of bills. Before lunch the authorities bought £2m bank bills in band 2 at 11⁷⁄₃₂ per cent; £81m bank bills in band 3 at 11¼ per cent; £10m Treasury bills, £4m local authority bills, and £6m bank bills in band 4 at 11⁷⁄₃₂ per cent.

In the afternoon another £103m bank bills in band 2 were purchased at 11⁷⁄₃₂ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £408m, with bank balances below target absorbing £65m. These outweighed Exchequer transactions adding £150m to liquidity and a fall in the note circulation of £40m.

In Frankfurt the Bundesbank accepted bids of DM 8.9bn for a 28-day securities repurchase agreement, to only partly replace an expiring 35-day agreement of DM 11.1bn. Bids totalled DM 12.7bn for the new money, to be provided at a rate of 4.55 per cent. Call monay was steady at 4.525 per cent.

Federal funds were under 8 per cent in early New York trading yesterday, giving a firm tone to US credit markets. Expectations that tomorrows retail sales figures, and other economic data this week, will indicate sluggish growth also helped underpin the good business activity. The US Treasury auctioned only $13.4bn bills yesterday for 13 and 26 weeks. The previously announced figure of $14.4bn would have exceeded the debt ceiling. The bills will be issued on Thursday, and unless Congress agrees to raise the ceiling before Friday the Federal authorities will be in danger of default.

In Paris the Bank of France left its money market intervention rate at 9¼ per cent when buying first category paper, to inject liquidity. The rate was last changed on October 17, and the failure of the central bank to cut the rate yesterday led to speculation that October's retail price index will not show further progress in reducing inflation.

UK clearing banks base lending rate 11½ per cent since July 30

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	8
Fed funds	8
Fed funds at intervention	—
Treasury Bills & Bonds	
One month	6.99
Two month	7.19
Three month	7.43
Six month	7.62
One year	7.79
Two year	8.38
Three year	8.81
Four year	9.08
Five year	9.25
Seven year	9.52
10 year	9.77
30 year	10.07

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov. 12)

Three months U.S. dollars		Six months U.S. dollars	
bid 7 15/16	offer 8 1/16	bid 8	offer 8 1/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust

LONDON MONEY RATES

Nov. 12	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	1-11⅛	11⅛-11⅛	11⅛-11⅛	11¼-11⅛	11¼-11⅝	11⅛-11⅞
Sterling CDs	—	—	11⅛-11⅛	11⅛-11⅛	11⅛-11⅛	11⅛-11¼
Local Authority Depos	11⅛-11¼	11¼-11⅛	11⅛	11⅛	11⅛	11¼
Local Authority Bonds	—	—	12⅛	11⅛	11⅛	11⅛
Discount Mkt Depos	8-11¼	11⅛	11⅛	11¼	—	—
Company Depos	6-11⅛	11⅛	11⅛-11⅛	11⅛	—	—
Finance House Depos	—	—	11⅛	11⅛	11⅛	11⅛
Treasury Bills (Buy)	—	—	11⅛	11⅛	—	—
Bank Bills (Buy)	—	—	11⅛	11⅛	10⅞	—
Fine Trade Bills (Buy)	—	—	11⅛	11⅛	11⅛	—
Dollar CDs	—	—	7.85-7.93	7.85-7.95	7.85-7.95	8.05-8.15
SDR Linked Depos	—	—	7¾-8	7⅞-8⅛	7⅞-8⅛	8-8¼
ECU Depos	—	—	8⅛-8½	8⅛-8⅛	8⅛-8⅝	8⅛-8⅛

Treasury Bills (sell): one-month 11⁵⁄₃₂ per cent; three-months 11⅛ per cent. Bank Bills (sell): one-month 11⁵⁄₃₂ per cent; three-months 11⅛ per cent. Treasury Bills: Average tender rate of discount 11.1393 per cent. ECGB Fixed Finance IV: October 2 to November 3 (inclusive): 11.808 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from November 1 1985. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (net). Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11½ per cent; nine-12 months 11½ per cent. Under £100,000 10½ per cent from November 12. Deposits held under Series 5 11½ per cent. Deposits withdrawn for cash 7½ per cent.

MONEY RATES

Nov. 12	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.00-4.56	4.6-4.7	4.73-4.85	4.73-4.85	4.80-4.90	5.5
Paris	9¼	9⅛-9¼	9⅛-9¼	9⅛-9⅛	9⅛-9⅛	9¼
Zurich	¼-1¼	3⅛-3⅝	—	4-4¼	3⅞-4⅛	—
Amsterdam	6⅛-5⅞	5⅞-6	—	5⅞-6⅛	—	—
Tokyo	7.15625	7.65085	7.71875	7.78125	—	—
Milan	14⅛-14⅜	14⅛-14⅛	—	14⅛-14⅛	—	—
Brussels	8.10	8¼-8¾	—	—	—	—
Dublin	8¼-10	9⅞-10⅛	10-10⅛	10⅛-10⅛	10⅛-10⅛	—

Company Notices

PROVINCE OF QUEBEC
9¼% 1979/1994
UA 40,000,000

On October 29, 1985 Bonds for the amount of UA 1,000,000 have been drawn in the presence of a Notary Public for redemption on December 17, 1985.

The following Bonds will be redeemable coupon due December 17, 1986 and following attached:

24,906 to 25,906 incl.

Amount outstanding: UA 34,000,000.
Outstanding drawn Bonds:

20303 to 20313 incl.
20322 to 20325 incl.
20538 and 20539
20639 to 20641 incl.
20672
20720 to 20729 incl.
20733

The Fiscal Agent
KREDIETBANK
S. A. Luxembourgeoise

Luxembourg,
November 13, 1985

This advertisement cancels and replaces the advertisement which was published on November 11 1985

SPAREKASSEN SDS
(A savings bank established under Danish Banking Law)
Registered at: 0 Kongens Nytorv DK 1050 COPENHAGEN K

FIRST NOTICE TO HOLDERS OF SUBORDINATED BONDS 10½% 1984-1991 OF ECU 1,000 EACH

The holders of subordinated bonds 10½% 1984-1991 issued by SPAREKASSEN SDS are called to an Ordinary General Meeting to be held at 37, rue du Rocher, PARIS 8eme (FRANCE) on November 20, 1985, at 3.30 p.m. in order to consider the following agenda:

—Appointment of the bondholders permanent representatives, designation of the substitute representatives.

—Determination of the bondholders' representatives' powers and of the remuneration given to the permanent representatives.

To permit the bondholders to attend or to be represented at this meeting, the bonds or their deposit receipts must be deposited at least five days before the date fixed for the meeting, at the offices of the banks having participated in the placing of these bonds and from whom proxies or admission cards can be requested. This meeting shall be validly held if the holders of twenty-five per cent of the outstanding bonds are present in person or represented.

THE ISSUER

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
45	34	Macfarlan (P & W) 20p	44	.....	†1.7	2.5	5.5	9.1
77	46	Magnolia Group	74	.....	2.6	3.0	5.0	9.0
60	28	♦Malsemel Hldgs 10p	58	–2	—	—	—	94.7
515	282	Man. Ship Can. £1	475	+4	5.5	3.5	1.7	25.0
114	70	Marley	113	–1	3.75	2.2	4.7	13.7
107	52	Marling Ind 10p	93	.....	d1.5	5.1	2.1	11.9
82	36	Marshall L'ry. 'A'	76	.....	†2.4	4.9	4.5	5.5
77	56	Marshall's Universal	68	.....	†2.0	1.4	4.2	(21.6)
89	78	Do. 7½pcCvRedPf £1	89	+1	7½%	—	12.0	—
£105	£81	♦Mathesons 7¼%	£105	.....	Q7¼%	2.3	†7.6	—
35	15	♦Maxprint 1p	13	.....	—	—	—	—
551	375	Metal Box £1	545	+1	17.25	3.1	4.5	8.2
170	110	Metal Closures	117	.....	6.7	2.0	8.2	7.3
17	3	♦Metal Sciences 2½p	7½	.....	—	—	—	—
104	61	♦Midland Marts	77	.....	4.0	2.1	7.5	9.1
103½	55½	Mitchell Cotts	75½	–½	4.25	♦	8.3	♦
230	182	Morgan Crucible	199xd	+2	†6.0	1.6	5.7	13.8
33	22	♦Morris (W) F.A. 20p	26	.....	g0.5	♦	2.7	♦
131	91	Moss (Robt.) 10p	125	+1	3.0	2.5	3.4	13.8
81	60	Myson Grp 10p	64½	+½	g2.5	3.4	5.6	12.1
328	214	♦NMW Computers	290	.....	†4.8	2.7	2.4	22.3
43	28	Nash Inds.	32	.....	†2.5	1.5	‡	7.4
48	15	Neil & Spencer 10p	15	.....	♦	—	—	4.5
44	14½	Newman Inds 10p	51	+2	20.3	—	1.4	(14.7)
46	26	Nolton	44xd	.....	Q1.17	♦	3.0	♦
214	146	Norcros	208	–2	8.6	2.2	5.9	10.4
67	45	Nu-Swift 5p	47	–3	†3.0	1.9	9.1	7.6
114	68	Oakwood Grp	182	.....	†d4.5	1.4	6.3	†15.0
250	150	Office & Elect	212	.....	77.5	2.6	5.1	10.9
108	75	Oldacre 20p	87	–1	4.0	2.6	6.6	7.7
58	37	♦Optometrics $0.01	43	.....	Q0.02c	—	3.6	—
495	312½	Oriflame £1	445	.....	†23.4	1.8	5.3	10.5
10	6	Ownstone 12½c	8	.....	g03.23c	1.9	10.5	2.0
£202	£158	Ozalid 9pc Cnv 87-92	£202	+1	Q9%	—	†4.6	—
185	100	♦PCT Grp 10p	100	.....	3.2	1.2	6.8	(24.6)
1034	850	PLM 'B' Sk 25	950	.....	Q21.6%	5.0	4.9	41.1
199	122	PSM Intl	122xd	.....	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE—Continued

1985 High	Low	Stock	Price	+ or –	Div Net
213	177	♦Central TV NV 50p	212	+7	10.5
235	170	Chrysalis	232	.....	5.6
52	7	♦Entertain Prod 5p	13	.....	hd2.25
79	50	Fairline Boats 10p	77	.....	†2.63
391	228	First Leisure £1	382	.....	†6.5
69	51	GRA Group 5p	66	.....	—
32	25	Grampian TV£ 10p	30	.....	†h1.67
172	117	HTV Non/Vtg.	172	+2	7.7
148	78	Horizon	90	–3	♦4.4
104	90	Insight	158	.....	♦12.5
140	102	Intnl Leisure 10p	103	.....	4.8
232	105	Juliana's Hldgs 2p	105	.....	†2.0
300	217	LWT	283	+2	14.[illegible]
38	25	♦Leisure Inv 10p	33	.....	—
65	53	Leisuretime Int 10p	54	.....	†2.1
115	98	♦Lewmar	108	.....	q2.63
183	153	♦Media Tech Int 20p	160	.....	g2.58
205	124	Medminster 10p	155	.....	5.35
280	175	♦Miss World 10p	220	.....	3.6
127½	70	Nationwide Leisure	72	.....	†3.75
39	13½	♦Nimslo Int 20c	13½	.....	—
27	19½	♦Owners Abroad	22	+1¼	1.0
53	38	Photax (Lon.)	38	.....	—
24½	18	♦P'dilly Radio NV 5p	19	.....	1.87
90	30	♦Pineapple Dnc St 10p	48	.....	d1.5
342	183	Pleasurama 5p	342	+6	†h4.6
160	109	Do. 7pcCvCmRedPf	160	+5	7%
96	77½	♦Pres Entertain 50p	85½	–1½	†2.0
65	18	♦Radio City 'A' NV	18	.....	‡5.6
55	37	♦Radio Clyde N/V	37	.....	3.25
63	34	Riley Leisure 10p	44	.....	‡0.7
193	143	Saga Hols. 20p	192	.....	†4.0
300	108	Samuelson Grp 20p	275	.....	1.8
42	25	♦Sangers Photo 10p	34	+1	2.0
202	150	♦Scantro 50p	140xd	.....	d3.68
176	128	Scott. TV 'A' 10p	176	+4	10.8

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

"Recent Issues" and "Rights" Page 42 (International Edition Page 46)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Wall Street-inspired upsurge in equities fades ahead of Chancellor's statement

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Oct 28	Nov 7	Nov 8	Nov 18
Nov 11	Nov 21	Nov 22	Dec 2
Nov 25	Dec 5	Dec 6	Dec 16

* "New-time" dealings may take place from 9.30 am two business days earlier.

Boosted by the impressive overnight performance on Wall Street—the Dow Jones Industrial Average closed 27.52 firmer at a record high amid hopes of lower interest rates—London equity markets staged a strong revival at the opening of business yesterday.

The Prime Minister's optimistic view on the outlook for the UK economy also contributed to the marked turnround in sentiment, but initial gains in equity leaders were soon reduced as early buying interest faded.

The reaction was largely attributed to the lack of follow-through support after the initial flurry of buying, with the majority of potential investors showing a reluctance to chase quotations higher pending the Chancellor's autumn economic statement. In the event, the statement made little immediate impact.

Illustrating the trend, the Financial Times Ordinary share index, which recorded a gain of 9.2 at the 10.00 am calculation, fell back to show a rise of only 1.5 three hours later before closing 4.3 up on the day at 1,074.6.

Beecham traded on a steadier note after the previous day's sharp setback on the disappointing interim figures and resignation of Sir Ronald Halstead, chairman and chief executive. Among other Pharmaceutical issues, Glaxo were particularly good on US buying, while ICI also made progress reflecting transatlantic influences.

Government Securities remained a relative backwater, with quotations generally content to follow the Liffe market. As a result, short-dated stocks fluctuated narrowly throughout the day before settling around ⅛ lower on balance. The longer maturities recorded falls extending to ⅜ although the trend in this area was to slightly higher levels in the late dealings as the market digested the Chancellor's autumn statement.

M. Brown bid cleared

Matthew Brown, up to 528p at the outset, settled a net 3 off at 517p as the Monopolies Commission cleared the way for unwelcome suitor Scottish and Newcastle to renew its bid for the Blackburn-based concern. Other Regional Breweries, the subject of considerable takeover speculation recently, improved initially in sympathy, but a closer perusal of the Commission's report, which emphasised that the clearance should not be construed as a green light for further rationalisation in the sector, prompted widespread liquidation of bull positions among the premier bid candidates. Extremely active trading was evident in Greene King, 21 down at 227p, after 223p, and in Vaux and Wolverhampton and Dudley which slumped 33 and 38 respectively to the common level of 370p. The malaise also affected Buckleys, 2 cheaper at 63p, and Boddingtons, 5 off at 22p. Whitbread Investments, which holds strategic stakes in a number of regional issues, closed 10 lower at 222p. G. Ruddle, interim results expected today, were marked 7 lower to 178p.

Distillers, already a few pence firmer throughout, attracted increased support after-hours and rose 13 to a new high of 468p.

Money brokers International City Holdings staged a disappointing market debut; the shares, some 10 times oversubscribed at the offer price of 190p, opened at 202p and briefly touched 206p before falling away to 195p prior to closing at 199p. The Unlisted Securities Market's newcomer, Magnetic Metals, also fared badly: placed at 114p, the shares opened at 113p and dipped to 107p before settling at 110p. China and Eastern Investment closed at 68p compared with the offer-for-subscription price of 71p. The warrants were quoted at 16p.

With the exception of NatWest, 6 easier at 696p, the major clearing banks responded to revived demand. Barclays, at 446p, and Lloyds, at 488p, rose 11 and 10 respectively to record fresh peaks for the year, while Midland hardened a few pence to 448p. Merchant banks displayed no set trend after a quieter session. Hambros improved 2 to 185p, but Hill Samuel relinquished a few pence at 357p. Woodchester rose 3 more to 143p among Hire Purchases.

Ahead of their respective third-quarter profits statements due today, General Accident firmed 6 to 710p and Commercial Union softened a penny at 253p; Sun Alliance added 5 to 538p and GRE put on 10 to 725p.

The prospect of increased Government spending gave a mild fillip to selected Building descriptions. RMC attracted renewed support and moved up 8 to 478p and Redland firmed 4 to 344p. Blue Circle, at 570p, regained the previous day's fall of 8 which followed news of a major US acquisition. Elsewhere, AMEC revived with a rise of 4 at 265p and John Laing improved the same amount at 321p. Countryside rallied 4 further to 322p, while USM-quoted Polypipe gained 14 to 168p on country buying in a restricted market.

ICI opened higher on Wall Street influences, but drifted back to 672p before renewed support left the close 10 up on balance at 677p. Cautious comment on the interim results left Amersham International 12 down at 290p—a two-day fall of 35.

BHS feature

Leading Stores opened on a bright note as investors shrugged aside the disappointing provisional retail sales figures for October. The rally was checked around midday by a fresh flurry of selling, but this proved to be short-lived and many counters improved further after-hours. British Home Stores featured, recovering from 310p to close 8 dearer on balance at 320p. Woolworth hardened 7 to 587p, but Burton, having traded between 575p and 590p, reverted to the overnight level of 580p. Marks and Spencer were also volatile; down to 177p at one stage, the shares touched 182p before settling a net penny to the good at 179p. Among secondary issues, USM-quoted Blanchards attracted revived speculative support and advanced 15 to 103p, while interest was also noted for Peters, 3 up at 73p. Bentalls touched a 1985 peak of 148p before closing 4 up on balance at 146p. A. Goldberg put on a few pence to 81p awaiting today's half-timer.

Microfilm Reprographics featured secondary Electricals, jumping 25 to 410p, after 420p, on news of the bumper annual profits and proposed acquisition of Datacom. Checkpoint Europe added 10 to 125p following the interim results, while improvements of 8 and 10 respectively were seen in Memec, 325p, and CML Microsystems, 150p. Microvitec added 4 to 32p and Unitech improved 9 to 184p. Among the narrowly mixed leaders, Plessey cheapened 2 more to 138p, after 136p; STC fell 4 to 80p.

Deritend Stamping provided an outstanding late feature in Engineerings, rising 16 to a 1985 peak of 168p in response to the announcement that Carclo had increased its stake in the company to over 6 per cent. C. H. Bailey, meanwhile, moved up 1½ more to 25p amid continuing talk of an imminent bid, while speculative support was also evident for Birmingham Mint, 6 better at 115p, and Davy Corporation, 4 higher at 111p. Habit-Precision gained 3½ to 62p and Blackwood Hodge firmed 2 to 38p. Nationalisation compensation hopes lifted Vosper 8 afresh to 342p, while TI rebounded 5 to 413p awaiting possible Evered bid moves.

The Food sector continued to feature United Biscuits, up 5 more at 205p on US bid hopes. Tate and Lyle, still responding to a broker's circular, firmed 5 afresh to 540p, but Cadbury Schweppes lacked support and shed 3 to 145p. Among Retailers, Tesco rose 6 to 298p awaiting today's interim results, while Hillards gained 17 to 222p as bid rumours resurfaced. Elsewhere, Hunter Saphir put on 9 to 132p in belated response to Press comment. Somportex added 6 more to 160p.

Glaxo wanted

Glaxo responded smartly to revived US demand and closed ⅜ better at £15⅜. Beecham hardened a penny to 286p following comment on the disappointing interim results and shock departure of chairman Sir Ronald Halstead. Unilever closed at the overnight level of £11⅜p following the satisfactory third-quarter figures, but Pilkington retreated 10 to 283p after-hours on news of the group's acquisition of US contact lens concern, Syntex Ophthalmics, for £42m cash. Elsewhere in miscellaneous industrials, Williams jumped 25 to 415p, after 417p, following the £11.5m acquisition of the UK Rawlplug businesses from Burmah. Reports of a favourable circular helped Diploma rise 12 to 238p, after 243p, and left Farnell 10 dearer at 198p in sympathy. Blundell Permoglaze continued to respond to takeover gossip with a fresh rise of 4 to 147p and Pentland put on 5 to 335p after Press comment. Aberfoyle put on 3 to 57p and Coloroll gained 4 to 147p, while Cookson, up 11 the previous day after a broker's lunch with the company, firmed 6 more to 372p. De La Rue, on the other hand, dropped to a 1985 low of 750p before closing 25 down on balance at 780p following the disappointing interim results. Profit-taking clipped 14 from Reuters "B", at 335p, and 11 from Broken Hill Proprietary, at 422p. TSL Thermal came on offer at 198p, down 11.

Press comment stimulated further interest in Aspinall Holdings, up 11 at 152p; the results are expected shortly. Elsewhere in the Leisure sector, Owners Abroad revived with a gain of 1½ to 22p, while Boosey and Hawkes picked up 5 to 165p.

Lucas Industries, down to 462p at one stage reflecting sporadic profit-taking in the wake of the preliminary results and accompanying rights issue, attracted late demand and finished 7 up on balance at 473p. Automotive Products continued to improve in sympathy and rose 5 for a two-day gain of 8 at 97p. Elsewhere in Motors, Lex Service were again wanted behind favourable Press comment and put on 13 more to 249p.

The Property leaders traded quietly awaiting today's half-year figures from the sector's bellweather Land Securities, a penny dearer at 319p, after 320p. MEPC lost the turn at 309p, but both Slough Estates and Samuel were a shade better, at 162p and 171p respectively. Estate agents, firm of late on takeover speculation, drifted off in the absence of further buying interest. Bairstow Eves slipped 2 to 110p, as did Connells, to 150p. Elsewhere, Percy Bilton met with occasional buying interest and firmed 4 to 236p, while Southend Stadium continued to attract buyers on property development hopes and added 3 more to a year's high of 80p.

Oils mixed

An initial mark up of the leading oils, reflecting the sharp rise on Wall Street overnight, was quickly erased following yet another warning—this time from Opec chairman Dr Subroto—of the possibility of crude oil prices falling below $20 a barrel in the Spring.

At the close BP and Shell were little changed on balance, but Burmah dipped 2 to 299p following news of the sale of its UK and Irish Rawlplug business to Williams Holdings for Williams shares worth £11.5m.

Recent rumours of a possible merger of Berkeley Exploration and Petranol were duly confirmed; Petranol eased 5 to 130p, after 125p, on the news, while Berkeley ran back from an initial 95p to settle a net 8 lower at 82p.

Golds edge higher

South African mining markets shrugged off worries about the possible repatriation of black mineworkers and extended their recent revival to a fifth trading session. The Financial Rand remained a resilient market and opened a shade firmer, before slipping back and improving afresh towards the close of business. Consequently, Golds attracted persistent small demand, again mainly from Continental operators.

Leading Golds were again the major beneficiaries of a continuing stock shortage with Randfontein up £1½ at £48½ and gains of around a point common to Southvaal, £19½ and Western Deep, £19½.

Australians were marked down sharply at the outset in the wake of the poor domestic trade figures for October which triggered a steep decline on Sydney and Melbourne exchanges. In the leading down-under mines CRA fell 10 to 258p, Peko-Wallsend a like amount to 155p, Western Mining 9 to 156p and MIM, 7 to 114p. Golds were similarly depressed, with Central Norseman 10 lower at 328p and Poseidon 8 off at 163p.

FINANCIAL TIMES STOCK INDICES

	Nov. 12	Nov. 11	Nov. 8	Nov. 7	Nov. 6	Nov. 5	year ago
Government Secs	83.25	83.27	83.29	83.52	83.70	83.87	83.45
Fixed Interest	88.65	89.05	89.10	89.34	89.46	89.50	86.17
Ordinary ♥	1074.6	1070.3	1082.5	1073.5	1081.3	1073.5	924.5
Gold Mines	257.4	255.2	245.2	238.3	227.0	217.5	565.6
Ord. Div. Yield	4.48	4.48	4.44	4.47	4.45	4.47	4.63
Earnings, Yld. % (full)	11.11	10.99	10.89	10.97	10.91	10.97	11.14
P/E Ratio (net) (*)	11.19	11.25	11.36	11.28	11.34	11.27	10.75
Total bargains (Est.)	25,204	26,390	25,920	25,552	25,882	24,721	22,537
Equity turnover £m.	—	483.57	594.88	589.71	560.96	519.24	380.36
Equity bargains	—	24,350	27,073	25,274	24,529	27,152	18,880
Shares traded (ml)	—	200.9	280.8	255.9	279.5	291.9	206.3

♥ 10 am 1079.5. 11 am 1076.6. Noon 1071.2. 1 pm 1071.8. 2 pm 1072.9. 3 pm 1074.0. 4 pm 1073.4.
Day's High 1080.2. Day's Low 1071.6.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.
Latest Index 01-246 8026.
* Nil=10.70.

HIGHS AND LOWS

	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (18/10)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.36 (25/10)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1082.6 (8/11)	911.0 (26/1)	1082.6 (8/11/85)	49.4 (26/6/40)
Gold Mines	555.9 (15/4)	917.6 (5/11)	734.7 (15/2/83)	43.9 (26/10/71)

S.E. ACTIVITY INDICES

	Nov. 11	Nov. 8
Daily		
Gilt Edged Bargains	115.8	138.8
Equities Bargains	157.8	175.4
Equities Value	856.1	1202.4
5 day Average		
Gilt Edged Bargains	128.2	132.6
Equities Bargains	166.0	166.9
Equities Value	1127.2	1224.1

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Nov 4	Nov 15	Feb 6	Feb 17
Nov 18	Nov 29	Feb 20	Mar 3
Dec 2	Dec 13	Mar 6	Mar 17

For rate indications see end of Unit Trust Service

Money was given for the call of Hawtin, C. H. Bailey, Bristol Channel Ship Repairers, Elsburg, Pentos, Nolton Estates, Fine Art Development, ICC Oil and Gas, Great Western Resources, Polly Peck, CPU Computers, Lonrho, Flogas, STC, Shaw Carpets, Lasmo, Hawley, Cooper Industries, Pilkington Bros, De Beers Deferred and Bougainville. No puts were reported; but doubles were arranged in Fine Art Developments, Kia Ora, Vosper and Polly Peck.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section. Tues Nov 12 1985.

		Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Mon Nov 11 Index No.	Fri Nov 8 Index No.	Thurs Nov 7 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (207)	557.96	+0.2	10.27	4.08	12.21	14.28	556.58	558.15	556.05	555.47
2	Building Materials (22)	623.80	+0.2	10.52	4.30	11.84	15.38	622.57	623.45	625.01	516.60
3	Contracting, Construction (28)	946.62	+0.1	10.24	4.48	12.59	28.20	945.48	950.56	952.52	721.54
4	Electricals (13)	1559.90	−0.3	9.61	4.84	13.26	49.94	1565.01	1559.50	1554.28	1579.02
5	Electronics (39)	1277.43	−0.1	11.98	3.54	11.02	31.22	1278.27	1293.55	1285.35	2037.10
6	Mechanical Engineering (61)	325.58	—	10.45	4.42	11.59	8.77	325.39	326.95	322.56	265.58
8	Metals and Metal Forming (7)	231.33	−0.4	9.45	6.91	12.74	6.83	232.27	232.72	229.45	170.01
9	Motors (17)	200.40	+0.9	11.65	4.38	10.45	5.02	198.54	196.09	194.56	140.48
10	Other Industrial Materials (20)	1032.21	+0.9	7.25	3.49	16.56	23.96	1022.87	1018.06	1022.23	758.34
21	CONSUMER GROUP (177)	749.19	+0.4	8.62	3.60	14.55	16.35	746.23	757.28	756.74	573.99
22	Brewers and Distillers (23)	782.61	—	8.80	3.70	14.43	13.92	782.38	786.73	781.99	541.26
25	Food Manufacturing (22)	542.06	+0.2	10.97	4.54	11.75	15.55	540.96	546.22	549.00	455.91
26	Food Retailing (14)	1712.33	+0.8	5.98	2.49	22.74	23.60	1699.33	1712.51	1723.53	1359.97
27	Health and Household Products (9)	1144.99	+1.4	6.67	2.86	17.60	18.90	1128.67	1170.94	1169.20	943.46
29	Leisure (24)	746.28	+0.4	7.69	4.43	17.06	23.43	743.04	742.37	737.77	632.59
32	Newspapers, Publishing (11)	1876.63	−0.3	7.21	5.19	17.54	57.69	1881.44	1898.76	1895.99	1322.44
33	Packaging and Paper (13)	368.45	−0.2	9.84	4.22	12.14	9.30	369.05	370.67	369.65	265.93
34	Stores (42)	778.00	+0.4	6.74	2.78	20.13	14.09	774.67	790.49	789.87	524.15
35	Textiles (16)	364.93	−0.5	11.90	4.59	9.57	9.67	366.71	371.13	365.76	291.07
36	Tobaccos (3)	819.53	−0.3	16.44	5.48	6.93	30.77	821.75	832.92	835.77	734.35
41	OTHER GROUPS (98)	714.59	—	8.96	4.00	14.45	15.61	715.01	714.47	711.97	503.19
42	Chemicals (18)	699.12	+0.8	14.12	5.46	9.36	26.47	693.65	692.91	691.51	670.75
44	Office Equipment (4)	227.08	−1.1	7.01	3.86	17.01	6.20	229.56	226.47	229.58	140.75
45	Shipping and Transport (11)	1362.42	+0.5	7.22	3.99	16.98	39.79	1356.01	1365.84	1362.44	907.55
46	Miscellaneous (63)	900.77	−0.4	7.17	3.61	17.15	15.89	904.29	903.99	898.96	780.71
48	Telephone Networks (2)	894.37	−0.2	8.31	3.63	16.05	14.38	896.37	895.16	891.47	0.0
49	INDUSTRIAL GROUP (482)	697.45	+0.2	9.10	3.82	13.88	15.86	695.77	701.23	699.71	562.90
51	Oils (18)	1130.36	−0.1	16.44	7.74	7.37	60.66	1131.38	1142.11	1150.45	1090.34
59	500 SHARE INDEX (500)	734.51	+0.2	10.01	4.29	12.55	19.45	733.03	738.93	738.17	606.95
61	FINANCIAL GROUP (116)	526.70	+0.5	—	4.58	—	15.79	524.22	525.30	523.93	404.74
62	Banks (6)	537.28	+1.0	16.48	5.51	8.57	28.18	531.99	529.91	528.47	417.84
65	Insurance (Life) (9)	792.21	+0.5	—	4.29	—	23.40	788.01	790.89	787.69	512.92
66	Insurance (Composite) (7)	398.15	+0.6	—	4.95	—	13.06	395.90	399.85	399.27	286.15
67	Insurance (Brokers) (8)	1225.56	+0.8	6.85	3.51	19.53	29.71	1215.25	1209.91	1209.40	836.84
68	Merchant Banks (11)	286.40	—	—	3.60	—	5.80	286.49	288.57	287.70	202.87
69	Property (51)	694.79	+0.1	5.42	3.49	24.77	13.64	694.30	698.92	696.31	630.24
70	Other Financial (24)	311.16	−0.4	9.87	5.38	12.49	11.10	312.36	310.58	310.30	252.44
71	Investment Trusts (106)	637.00	+0.4	—	3.38	—	13.47	634.38	635.55	634.47	547.35
81	Mining Finance (3)	255.32	+1.1	13.10	6.08	8.88	10.48	252.50	253.13	251.96	293.55
91	Overseas Traders (14)	588.91	+0.1	13.22	6.79	8.99	28.59	588.50	589.72	590.04	593.67
99	ALL-SHARE INDEX (799)	673.40	+0.3	—	4.34	—	18.26	671.62	676.10	675.20	555.05

	Index No.	Day's Change	Day's High	Day's Low	Nov 11	Nov 8	Nov 7	Nov 6	Nov 5	Year ago
FT-SE 100 SHARE INDEX	1381.6	+6.1	1387.1	1378.4	1375.5	1390.1	1384.8	1395.0	1383.7	1175.1

FIXED INTEREST

	PRICE INDICES	Tues Nov 12	Day's change %	Mon Nov 11	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	118.56	−0.06	118.63	—	10.54
2	5-15 years	132.11	−0.14	132.29	—	11.87
3	Over 15 years	137.04	−0.20	137.30	—	11.77
4	Irredeemables	148.86	+0.03	148.82	—	13.34
5	All stocks	129.86	−0.12	130.01	—	11.52
6	Debentures & Loans	111.63	−0.02	111.65	—	11.08
7	Preference	82.20	−0.07	82.26	—	6.27
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	110.40	−0.02	110.42	—	2.49

	AVERAGE GROSS REDEMPTION YIELDS		Tues Nov 12	Mon Nov 11	Year ago (approx.)
	British Government				
1	Low	5 years	10.00	9.98	10.42
2	Coupons	15 years	10.28	10.25	10.08
3		25 years	10.30	10.27	9.74
4	Medium	5 years	10.90	10.87	10.83
5	Coupons	15 years	10.64	10.61	10.46
6		25 years	10.30	10.26	9.89
7	High	5 years	11.01	10.98	10.85
8	Coupons	15 years	10.79	10.76	10.64
9		25 years	10.47	10.44	10.02
10	Irredeemables†		9.81	9.81	9.54
11	Debs &	5 years	11.27	11.27	11.65
12	Loans	15 years	11.27	11.27	11.56
13		25 years	11.27	11.27	11.46
14	Preference†		11.92	11.91	12.80
15	Inflation rate	5%	3.65	3.65	3.30
16		10%	3.47	3.47	3.13

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p. CONSTITUENT CHANGES: Fleet Holding (32) and Stewart Plastics (42) have both been deleted and replaced by Hartwells Group (9) and Garfunkels Restaurants (29) respectively. NAME CHANGE: Greycoat City offices has changed its name to Greycoat Group (69) and Associated Dairies Group is now ASDA-MFI Group (26).

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Berkeley Expln.	82	−8
Boots	220	+2
Brown (Matthew)	517	−3
De La Rue	780	−25
Diploma	238	+12
Glaxo	£15⅜	+⅜
Greene King	225	−21
Reuters B	335	−14
United Biscuits	205	+5
Vaux	370	−33
Whitbread Inv	271	—
Wolv and Dudley	370	−38

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Beecham	25	285	−41
Lucas Inds	21	466	+18
Burton	18	580	−15
Martin Ronald	15	96	—
Amersham Int'l	14	302	−23
Dixons Group	14	340	−6
Memory Cmptr	14	18	+8
Tate and Lyle	14	535	+7
ICI	13	667	+3
Logica	13	122	−37
Boots	12	219	−7
Brit Aero	12	448	−6

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD G	$329	31	3.70	—	—	—	—	$323.90
GOLD C	$340	—	—	89	5.50	—	—	"
GOLD C	$360	—	—	1	2.20	—	—	"
GOLD P	$320	—	—	—	—	50	19	"
GOLD P	$340	5	15	—	—	—	—	"
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 43,949
A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and Yield based on prospectus or other official estimates for 1986. q Gross. ‡ Figures assumed. Ø Allowance for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters (or fully-paid). •• Introduction. ¶ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising 5 ordinary shares and 1 warrant.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	71	34
Corpns, Dom. and Foreign Bonds	14	14	54
Industrials	308	267	918
Fin. and Props.	153	65	347
Oils	14	34	79
Plantations	—	2	16
Mines	49	56	82
Others	114	30	73
Totals	655	539	1,601

NEW HIGHS AND LOWS FOR 1985

AMERICANS (1)
BANKS (6)
BREWERS (4)
BUILDINGS (8)
CHEMICALS (1)
STORES (6)
ELECTRICALS (8)
ENGINEERING (4)
FOODS (7)
HOTELS (4)
INDUSTRIALS (19)
INSURANCE (7)
LEISURE (6)
MOTORS (4)
PROPERTY (5)
SHOES (1)
TEXTILES (1)
TRUSTS (38)
OILS (1)

NEW LOWS

BRITISH FUNDS (2)
Exch. 14pc 1986
CORPORATIONS (1)
LCC 3½pc '85-87
BANKS (1)
Union Discount
BUILDINGS (1)
Access Satellite
CHEMICALS (1)
Amersham Intl.
ELECTRICALS (2)
Acorn Computer
Powerline Intl.
ENGINEERING (1)
Braithwaite
HOTELS (1)
Aberdeen Steak Hss.
INDUSTRIALS (3)
CVD Inc.
Chemical Methods
De La Rue
NEWSPAPERS (1)
Portsmouth & Sunderland
TRUSTS (3)
Biotechnology Invs.
New Baltic
7pcCovRedPref
OILS (3)
Charterhouse Petrlm.
E.R.I.C.
Jebsens Drilling
MINES (2)
Australis Mining
Kitchener Mining

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
B.P. (*551)	500	68	78	—	5	12	—
	550	28	37	45	17	35	43
	600	11	15	96	55	65	67
Cons. Gold (*484)	429	77	90	97	3	[illegible]	14
	460	48	62	80	12	[illegible]	[illegible]
	500	24	37	62	34	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
P. & O. (*428)	390	42	55	58	[illegible]	[illegible]	[illegible]
	420	13	30	36	[illegible]	[illegible]	[illegible]
	460	1	16	22	[illegible]	[illegible]	[illegible]
Racal (*138)	180	20	96	34	[illegible]	[illegible]	[illegible]
	130	10	18	26	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

November 12 Total contracts 19,454 Calls 7,700 Puts 4,754
*Underlying security price

WORLD STOCK MARKETS

AUSTRIA

Nov. 12	Price Sch %	+ or —
Creditanst'lt ppd	365	+6
Goesser	493	+4
Interunfall	1,800	......
Laenderbank	331	+1
Perlmooser	605	-10
Stey-Daimler	134	+7
Veitscher Mag	770	+1

BELGIUM/LUXEMBOURG

Nov. 12	Price Frs.	+ or —
B.B.L.	2,580	+50
Banq. Gen. Lux	5,750	+30
Banq. Int.A.Lux	8,100	......
Bekaert	6,590	......
Ciment CBR	8,863	+18
Cockerill	813	-1
Delhaize	8,600	......
EBES	5,800	+30
Electrobel	11,100	+300
Fabrique Nat.	2,300	+180
GB Inno BM	6,240	+60
GBL (Brux)	8,645	+80
Gevaert	4,700	+100
Hoboken	6,800	+500
Intercom	2,820	+100
Kredietbank	12,000	+1000
Pan Hidgs	2,700	+200
Petrofina	6,950	+850
Royale Belge	17,400	+800
Soc. Gen. Banq.	4,500	+105
Soc. Gen. Belge	2,350	+60
Sofina	8,300	+150
Solvay	3,840	+40
Stanwick Intl	1,170	......
Tractionel	4,900	+80
UCB	5,850	-30
Wagon Lits	4,300	+50

DENMARK

Nov. 12	Price Knr %	+ or —
Andelsbanken	384	-1
Baltic Skand	660	......
Cop Handelsb'nk	350	-8
D. Sukkerfab	485	+10
Danske Bank	373	-1
De Danske Luft	1,480	......
East Asiatic	245	+6
Forenede Brygg.	1,075	......
Forenede Damp.	236	+3
GNT Hld	683	+6
I.S.S.B.	570	-6
Jyske Bank	720	......
Novo Inds	1,175	-30
Privatbanken	326	+6
Provinsbanken	470	......
Smidth (F.L.) B	313	+4
Sophus Berend	1,105	......
Superfos	387	+2

FRANCE

Nov. 12	Price Frs.	+ or —
Emprunt 4½% 1973	1,635	-21
Emprunt 7% 1973	7,920	+50
Accor	273	+4
Air Liquide	583	+8
BIC	477	+3
Bongrain	1,360	+30
Bouygues	800	+14
BSN Gervais	2,390	+55
CIT Alcatel	1,392	-6
Carrefour	2,530	+85
Club Mediter'n	468	+12
Cie Bancaire	743	+19
Cofimeg	293	+4
Damart	1,765	+10
Darty	1,740	+28
Dumez S.A.	795	+27
Eaux (Cie Gen)	710	+23
Elf-Aquitaine	196	+4.1
Essilor	1,985	-11
Gen.Occidentale	688	+13
Imetal	78.5	-0.9
Lafarge Coppee	592	+10
L'Oreal	2,448	+22
Legrand	2,298	+27
Maisons Phenix	171	-8
Matra S.A.	1,438	+38
Michelin B	1,265	+30
Midi (Cie)	3,410	-10
Moet Hennessy	2,040	+25
Moulinex	92.9	+0.9
Nord Est	114.5	-0.3
Pernod Rica	746	+10
Perrier	456	+6
Petroles Fra	353.5	-1.5
Peugeot S.A.	406	+6.5
Printemps (Au)	323.5	+7.5
Radiotech	350	+5
Redoute	1,680	+35
Roussel-Uclaf	1,640	+81
Sefimeg	358	+3
Skis Rossignol	1,380	+10
Telemec Elect	2,590	+10
Thomson (CSF)	610	+8
Valeo	284.5	+11.5

GERMANY

Nov. 12	Price Dm.	+ or —
AEG	238.2	-4.3
Allianz Vers	1,780	+40
BASF	258	-4
Bayer	252	-4.8
Bayer.Hypo	444	+13
Bayer-Verein	438	+6
BHF-Bank	451	......
BMW	551	+8
Brown Boveri	298.0	+0.5
Commerzbank	237.5	+1.8
Cont'l. Gummi	105.1	-1.2
Daimler-Benz	1,230	-1
Degussa	450	-1
D'sche Babcock	225	+4
Deutsche Bank	717	+3.5
Dresdner Bank	342.5	+0.5
GHH	221	+0
Henkel	410	+4
Hochtief	770	......
Hoechst	250	-4
Hoesch Werke	167	+2
Holzmann (P)	494	-8
Horten	208	+2
Hussel	366	-2
Karstadt	289	+2
Kaufhof	619.8	+3.8
KHD	338	-2
Kloeckner	97.5	+2.3
Linde	582	+10
Lufthansa	218	+3
MAN	208	+2
Mannesmann	260.8	+4.3
Mercedes Hld	1,120	+8.5
Metallgesell	308	+8
Muench Rueck	2,400	+20
Nixdorf	567	+4.5
Porsche	1,243	+1
Preussag	258	+8
Rhein West Elect	201.7	-0.8
Rosenthal	298	......
Schering	648	+3.3
Siemens	660	+3.5
Thyssen	177.8	+0.3
Varta	293	+3
Veba	271.7	-0.8
V.E.W.	143	+0.5
Verein-West	365	+1
Volkswagen	413.1	+4.1

ITALY

Nov. 12	Price Lira	+ or —
Banca Com'le	24,050	-110
Bastogi-IRBS	420	-1
Centrale	3,585	-16
C.I.R.	5,990	-11
Credito Italiano	3,165	-65
Fiat	4,600	+10
Generali Assicur.	83,600	-200
Italcementi	49,000	+600
La Rinascente	980	+10
Montedison	2,340	+38
Olivetti	7,360	-20
Pirelli Co	6,549	+39
Pirelli Spa	3,438	+63
Saipem	6,910	+10
Snia BPD	4,467	+140
Toro Assic	21,870	+365

NETHERLANDS

Nov. 12	Price Fls	+ or —
ACF Holding	249	+3.8
AEGON	111	+2.3
Ahold	289	+6
AKZO	130.9	+1.3
ABN	549	+2
AMEV	78xc	-0.6
AMRO	99.7	+0.1
Bredero Cert	175	-1
Bos Kalis Westm	16.4	+0.1
Buehrmann-Tet	121	......
Calland Hlgs	28	+0.4
Dordtsche Pet'm	171.8	+0.9
Elsevier-NDU	149	-0.5
Fokker	79.1	-0.8
Gist Brocades	244.5	-0.5
Heineken	192.5	+0.2
Hoogovens	76.5	+0.7
Int Mueller	65.2	+0.3
KLM	50.7	+0.7
KNP	112.6	-0.4
Naarden	37	+1.6
Nat Ned Cert	82.4	+0.6
Ned Mid Bank	221.5	+0.5
Nedlloyd	186.8	+1.1
Oce Grinten	369.5	+5.8
Ommeren (Van)	28.3	-0.3
Pakhoed	79.3	-0.6
Philips	53.4	+0.1
Robeco	80.3	+0.5
Rodamco	135.4	-0.3
Rolinco	78.9	......
Rorento	47.8	......
Royal Dutch	183.1	+0.1
Unilever	388.5	+3.5
VMF Stork	244	+1
VNU	238	+0.5
Wessanen	230.5	-20
West Utr Bank	94.5	......

NORWAY

Nov. 12	Price Kroner	+ or —
Bergens Bank	174.5	+2.5
Borregaard	469	+8
Christiania Bank	182	+6
DenNorske Credi	181.5	+2.5
Elkem	101	+2.3
Kosmos	182	+2
Kvaerner	190	+4
Norsk Data	447	+6
Norsk Hydro	133.5	+3.3
Storebrand	305	+7

SPAIN

Nov. 12	Price Pts %	+ or —
Bco Bilbao	393	+6
Bco Central	338	+2
Bco Exterior	206	+2
Bco Hispano	188	+2
Bco Popular	403	+13
Bco Santander	382	+1
Bco Vizcaya	532	+6
Dragados	142.5	+1.5
Hidrola	88.2	+3.3
Iberduero	106	+4
Petroleos	140.2	+0.2
Telefonica	135.5	+6.5

SWEDEN

Nov. 12	Price Kronor	+ or —
AGA	162	-1
Alfa-Laval B	240	-4
ASEA (Free)	296	-2
Astra (Free)	495	......
Atlas Copco	141	......
Cardo (Free)	228	......
Cellulosa	160	+1
Electrolux B	164	+2
Ericsson B	205	+7
Esselte	380	......
Mo och Domsjo	179	+5
Pharmacia	192	+1
Saab Scania Free	485	+15
Sandvik	575	+6
Skandia	288	-4
Skan Enskilda	68	+2
SKF	258	-1
Sonneson	155xr	+2
Stora Kopparb'rg	164	+2
Sven Handlesbn	206	+2
Swedish Match	228	......
Volvo B (Free)	256	+1

SWITZERLAND

Nov. 12	Price Frs.	+ or —
Adia Intl.	4,575	-95
Alusuisse	704	-11
Bank Leu	4,175	-75
Brown Boveri	1,875	-30
Ciba Geigy	3,680	-20
do. (Part Certs)	2,870	-80
Credit Suisse	3,285	-3
Elektrowatt	3,390	......
Fischer (Geo.)	1,120	-3
Hoff-Roche PtCts	112,500	-1,500
Hoff-Roche 1/10	11,300	-100
Jacobs Suchard	7,675	-150
Jelmoli	5,385	+25
Landis & Gyr	2,260	-10
Nestle	8,100	+20
Oer-Buehrle	1,450	-15
Pirelli	388	-2
Sandoz (Br)	9,990	-10
Sandoz (Pt Cts)	1,640	-60
Schindler (PtCts)	675	-25
Sika	1,770	-20
Surveillance A	3,875	-15
Swissair	1,580	-12
Swiss Bank	318	-5
Swiss Reinsce	13,300	......
Swiss Volksbk	2,320	-20
Union Bank	4,800	-60
Winterthur	4,875	-75
Zurich Ins	6,740	-35

AUSTRALIA

Nov. 12	Price Aust $	+ or —
ANZ Group	4.83	-0.15
Ampol Pet	2.46	......
Ashton	1.05	-0.04
Aust. [illegible]	[illegible]	-0.05
Aust. Guarantee	2.83	+0.01
Aust. Nat. Ins	2.76	-0.04
APM	2.83	-0.15
Bell Group	11.6	......
Bell Res	5.3xc	+0.04
Bond Corp Hldgs	2.16	-0.04
Boral	3.22	-0.18
Bougainville	1.95	......
Brambles Inds	4.53	-0.1
Bridge Oil	2.35	-0.05
B. H. Prop.	9.18	-0.02
CRA	8.6	-0.08
CSR	3.5	-0.05
Castlemaine Tys	8.0	-0.15
Coles (G.J.)	4.1	-0.06
Comalco "A"	1.8	-0.02
Consolidated Pet	0.4	......
Costain Aust	2.25	-0.06
Dunlop Olympic	2.6	+0.02
Elders IXL	2.9xc	-0.07
Energ Res	1.65	-0.03

AUSTRALIA (continued)

Nov. 12	Price Aust $	+ or —
Gen. Prop. Trust	2.07	-0.01
Hardie (James)	3.4	......
Hartogen Energy	2.23	+0.08
Herald WyTimes	6.10	......
ICI Aust	2.55	......
Jimberlana F.P.	0.25	-0.02
Kia Ora Gold	0.13	......
Lend Lease	6.4	......
MIM	2.48	-0.1
Mayne Nickless	3.3	......
Myer Emporium	3.55	......
Nat. Aust. Bank	4.85	......
News	8.9	-0.1
Nicholas Kiwi	2.45	......
Noranda P'ci Ppd	0.70	......
North Bkn Hill	2.5	-0.04
Oakbridge	1.38	+0.08
Pancontinental	1.78	-0.02
Pioneer Conc	2.2	-0.07
Poseidon	3.38	-0.1
Queensland Coal	1.52	......
Reckitt & Colman	3.75	......
Repco	1.33	-0.05
Santos	5.43	-0.02
Smith (Howard)	5.86	......
Thos. Nationwide	2.42	-0.01
Tooth	3.60	......
Vamgas	3.30	......
Western Mining	3.38	-0.12
Westpac Bank	4.85	-0.21
Woodside Petrol	1.4	......
Woolworths	3.34	-0.02
Wormald Intl	3.7	-0.05

HONG KONG

Nov. 12	Price H.K.$	+ or —
Bank East Asia	22.8	-0.1
Cheung Kong	20.6	+0.2
China Light	17.7	......
Evergo	0.77	+0.23
Hang Seng Bank	46.0	-0.25
Henderson Land	2.27	......
HK China Gas	12.7	......
HK Electric	8.6	+0.05
HK Kowloon Wh.	7.3	+0.05
HK Land	6.63	......
HK Shanghai Bk	7.75	+0.05
HK Telephone	2.8	+0.25
Hutchison Wpa.	27.5	-0.1
Intnl. City	0.98	......
Jardine Math	13.3	+0.1
New World Dev.	6.45	+0.05
Orient O'seas	1.99	......
SHK Props	13.1	......
Shell Elect	0.65	-0.31
Swire Pac A	28.9	-0.1
TV—B	6.0	+0.15
World Int. Hldgs.	2.35	+0.05

JAPAN

Nov. 12	Price Yen	+ or —
Ajinomoto	1,120	......
All Nippon Air	605	+4
Alps Electric	1,460	......
Asahi Chem	793	+8
Asahi Glass	852	3
Bank Tokyo	730	-20
Bridgestone	560	......
Brother Inds	340	+3
Canon	1,050	-60
Casio Comp	1,750	-10
Chugai Pharm	888	......
Daiei	720	......
Dai-ichi Kan. Bk.	1,430	......
Dai Nippon Ink	297	-2
Dai Nippon Ptg	1,170	+40
Daiwa House	881	-14
Daiwa Sec	780	-10
Eisai	1,260	-10
Fanuc	7,630	......
Fuji Bank	1,480	......
Fuji Film	1,970	-10
Fujisawa	844	-11
Fujitsu	945	......
Furukawa Elect.	334	+1
Green Cross	2,280	-10
Heiwa Real Est	768	-10
Hitachi	690	+1
Hitachi Credit	1,040	-10
Honda	1,150	+20
Indl. Bk. Japan	1,170	......
Ishikawajima Hr	171	+2
Isuzu Motors	536	......
Itoh (C)	480	......
Ito Yokado	3,160	-10
JAL	6,280	-60
Jusco	821	-8
Kajima	494	-2
Kao Soap	930	-8
Kawasaki Steel	137	-1
Kirin	770	-3
Kobe Steel	176	+1
Komatsu	514	-11
Konishiroku	698	-2
Kubota	352	-3
Kumagai	705	......
Kyocera	3,870	-80
Marubeni	342	8
Marui	1,500	-80
Mazda Motors	699	-2
Meiji Seika	547	-1
MEI	1,150	-10
M'bishi Bank	1,470	-10
M'bishi Chem	500	-8
M'bishi Corp	888	-2
M'bishi Elect	335	......
M'bishi Estate	1,120	-30

JAPAN (continued)

Nov. 12	Price Yen	+ or —
MHI	354	-15
Mitsui Bank	1,100	-10
Mitsui	417	-7
Mitsui Estate	1,050	-20
Mitsui Toatsu	219	-6
Mitsukoshi	606	-8
NGK Insulators	670	......
Nikko Sec	751	-5
Nippon Denso	1,390	......
Nippon Elect	1,100	-10
Nippon Express	579	-23
Nippon Gakki	1,360	-30
Nippon Kogaku	656	-24
Nippon Kokan	154	-3
Nippon Oil	781	+1
Nippon Seiko	480	......
Nippon Shimpan	720	......
Nippon Steel	159	+1
Nippon Suisan	560	-3
Nippon Yusen	363	-15
Nissan Motor	578	-11
Nisshin Flour	480	+7
Nomura	1,050	......
Olympus	985	-10
Onoda Cement	330	......
Orient Finance	910	-5
Orient Leasing	2,490	+10
Pioneer	1,370	-10
Ricoh	1,050	......
Sankyo	1,100	-10
Sanwa Bank	1,300	-10
Sanyo Elect	409	-3
Sapporo	393	-12
Sekisui Prefab	881	......
Seven-Eleven	8,960	+840
Sharp	815	-20
Shimizu Constn	668	-10
Shionogi	760	-5
Shiseido	1,260	+20
Showa Denko	818	-1
Sony	3,760	+10
S'tomo Bank	1,870	-20
S'tomo Chem	247	-1
S'tomo Corp	720	-8
S'tomo Elect	845	-7
S'tomo Metal	141	......
Taisei Corp	330	-1
Taisho Marine	584	-7
Teiyo Kobe Bank	725	+5
Takeda	889	-11
TDK	3,830	-20
Teijin	502	+2
Toa Nenryo	1,040	......
Tokai Bank	1,000	......
Tokio Marine	957	-3
Tokyo Elect Pwr	4,330	50
Tokyo Gas	885	-10
Tokyu Corp	560	-12
Toppan Print	884	+4
Toray	321	......
Toshiba Elect	654	......
Toyo Seikan	1,460	+10
Toyota Motor	1,110	......
UBE Inds	821	+5
Victor	1,380	-10
Yamaha	656	-2
Yamaichi Sec	713	+3
Yamazaki	904	-11
Yasuda Fire	370	-1

SINGAPORE

Nov. 12	Price $	+ or —
Boustead Hldgs	1.45	-0.04
Cold Storage	6.3	+0.02
DBS	6.1	-0.05
Genting	5.75	-0.1
Haw Par. Bros.	2.2	-0.04
Hong Leong Fin.	2.55	-0.02
Inchcape Bhd	2.17	+0.02
Keppel Shipyard	1.27	-0.03
Malay Banking	5.70	......
Malay Utd. Ind.	2.27	-0.01
Multi Purpose	0.82	-0.02
OCBC	8.65	-0.05
OUB	2.90	-0.07
Public Bank	1.34	-0.04
Sime Darby	1.69	-0.03
Singapore Press	6.8	-0.05
Straits Trdg.	2.98	-0.04
Tat Lee Bk	2.6	-0.06
UOB	6.72	-0.10

SOUTH AFRICA

Nov. 12	Price Rand	+ or —
Abercom	1.75	......
AE&CI	7.2	-0.05
Allied Tech	60	......
Anglo Am. Coal	56	+1
Anglo Am. Corp.	35	+0.75
Anglo Am. Gold	204.5	+4.3
Barclays Bank	15.75	+0.45
Barlow Rand	12	-0.25
Buffels	77.75	+3.75
CNA Gallo	1.70	......
Currie Finance	4.60	+0.05
De Beers	14.4	......
Driefontein	54.25	+2.25
FS Geduld	66.75	+1.25
Gold Fields SA	34	......
Highveld Steel	6.1	+0.2
Hedbank	8.90	+0.25
OK Bazaars	10.4	......
Protea Hldgs	1.93	......
Rembrandt	44.23	......
Rust Plat	23.90	5.5
Safren	10.25	+0.05
Sage Hldgs	9.8	......
SA Brews	6.75	+0.10
Smith (CG)	19.5	......
Tongaat Hulett	5.9	0.1
Unisec	3.85	+0.05

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

Sales	Stock	High	Low	Close	Chng
48370	AMCA Int	$14⅜	13⅞	14⅜	+⅜
2600	Aberford	$9	8¾	8	-⅛
8250	Abitibi Pr	$17⅝	17½	17½	-¼
500	Agnico E	$19⅛	19	19	-⅛
24041	Alberta En	$17½	17⅜	17½	
17536	Alberta N	$14⅜	14¼	14⅜	+⅛
83986	Alcan	$36⅛	35½	35½	-⅜
400	Algoma St	$19	19	19	
20300	Asamera	$12⅞	12⅞	12⅞	+⅛
25850	Atco I f	$10½	10½	10½	+⅛
800	Atco II	$10½	10½	10½	+¼
2210	BC Sugar A	$25⅝	25¼	25½	
260	BGR A	$7	7	7	-⅛
500	BP Canada	$31⅛	31¼	31¼	
200	Banister C	$8⅝	8⅝	8⅝	-⅛
11453	Bk BCol	$5	495	5	
104154	Bk Montl	$33⅛	32⅞	33	
1700	Baton A f	$19¼	19¼	19¼	
200	Baton B	$19¼	19¼	19¼	
349021	Bell Can	$43¼	42¾	42⅞	+⅛
12410	Bluesky	370	360	370	
5537	Bonanza R	385	380	385	+5
67588	Bow Valy	$16⅛	15⅝	16	+½
6300	Braloma	395	385	390	+5
800	Bramalea	$16⅞	16¾	16¾	
37201	Brascan A	$34⅝	34¼	34⅝	+½
18700	Brinwater	$6½	6½	6½	
700	Brenda M	$8½	8½	8½	
1647	BC ForP	$9⅝	9¼	9¼	-⅛
37540	BC Res	210	208	208	+1
400	Brunswk	$12⅝	12⅝	12⅝	
23300	CAE	$16¾	16⅝	16¾	+½
11260	CCL B f	$15½	15½	15½	
403	CIL	$30⅛	30	30⅛	+⅜
7900	Cad Fry	$13	13	13	
3000	Cambridg	$18½	18⅜	18⅜	+⅛
20601	Camp RLk	$31½	30¾	31½	+⅝
8383	Camp Res	335	305	325	+25
7500	Camp Soup	$21⅜	21⅛	21⅜	+¼
5100	Campeau f	$25¾	25½	25¾	+¼
1750	CCem ex p	$11	10¾	11	+¼
8752	CDC 1	$9⅜	9⅜	9⅜	-¼
800	Can Malt	$20⅛	20⅛	20⅛	
59556	C Nor West	$25	25	25	
43650	CanP Ent	$28⅝	28⅛	28¼	+¼
100	C Packrs	$34	34	34	-½
2500	CS Pete I	440	430	440	+20
550	Can Trust	$43½	43¼	43½	-⅛
65	Cdn GE	$81½	81½	81½	
62707	CI Bk Com	$40⅝	40½	40⅝	+⅛
92190	C Marconi	$22¾	22½	22½	
117	C Occidental	$26	26	26	-¼
237919	CP Ltd	$17⅞	17⅝	17⅝	
20957	CTire A f	$9⅜	9⅛	9⅜	
9855	CUtil A f	$18¾	18⅝	18¾	+⅛
200	CUtil B	$18⅝	18⅝	18⅝	+⅛
500	Cantor	$7⅞	7⅞	7⅞	+⅛
2500	Carron A	$14⅝	14⅜	14⅜	-¼
300	Cara	$16⅝	16⅝	16⅝	
1000	Cara A f	$16¼	16¼	16¼	
6650	Carl OK	$13⅝	13	13⅝	+½
1700	Carma A	34	32	32	-2
1000	Carolin	265	265	265	-10
195	Celanese	$9⅛	9⅛	9⅛	-⅛
6600	CentFd A	$5⅜	5¼	5⅜	-¼
5300	Chieftan	$13¼	12½	13¼	+1
10078	Cominco	$12	11⅝	11¾	-¼
11200	Computing	$13	12⅛	12⅞	
3100	Comput In	315	310	310	-5
300	Conterm	188	188	188	-2
605	Con Bath A	$16⅝	16½	16⅝	+⅜
100	CDistb B f	$6¼	6¼	6¼	
6500	Cons Gas	$26⅛	26	26⅛	+⅛
100	Con Glass	$18¼	18¼	18¼	+⅜
2600	CTL Bank	$10	10	10	
720	Conwest B	$7⅞	7⅞	7⅞	+⅛
805	Corby	$41½	41½	41½	+¼
350	C Falcon C	$13⅞	13⅞	13⅞	+⅛
2200	Coseka R	270	268	268	+1
100	Costain Ltd	$10	10	10	+⅛
5400	Crownx	$22⅞	22⅞	22⅞	+¼
31318	Crownx A f	$21½	21½	21½	-¼
15000	Czar Res	235	233	233	-5
488173	Daon Dev	490	475	480	
2588	Denison A p	$13¼	13½	13⅝	+⅛
5500	Denison B f	$13	12⅞	13	+⅛
100	Develcon	$5⅜	5⅜	5⅜	-⅛
1000	Dickson A f	$6½	6½	6½	
20721	Dofasco	$26⅜	25¾	26⅜	+⅜
7900	Dome Cda	$8⅛	8	8	
21850	Dome Mine	$11⅝	11½	11⅝	
263848	Dome Pete	282	275	280	+5
200	D Textile	$13⅝	13⅝	13⅝	+⅛
61651	Domtar	$18⅝	18⅝	18⅝	-⅜
110	Donohue	$17⅜	17⅜	17⅜	-¼
6150	Du Pont A	$25⅞	25	25⅜	-⅛
59905	Dylex A	$14½	13⅞	14½	+⅝
100	E-L Fin	$42	42	42	+1
23550	Echo Bay	$17¼	17⅛	17⅛	
7000	Emco	$22¼	22	22¼	+⅜
19370	Equity Svr	$6⅝	6½	6⅝	
1400	FCA Intl	$21	21	21	+½
47875	Fcnbrdg	$17⅞	17½	17½	
3700	Fed Ind A	$12⅝	12¼	12¼	
100	Flmng B f	$14	14	14	+½
3600	FCity Fin	$10¼	10⅝	10⅝	+⅛
9580	Gandalf	$9¾	8⅞	9⅝	+¾
4150	Gaz Metr	$12⅝	12½	12½	-⅛
14150	Geac Comp	$7⅝	7½	7⅝	+⅛
1200	Gendis A	$34½	34	34½	
168728	Genstar L	$29¼	28⅞	29⅛	+⅞
100208	Geocrude	390	385	390	
200	Giant Yk	$20	20	20	-½
600	Gibrltar	$8⅛	8¼	8¼	
7020	Goldcorp f	$8⅝	8½	8⅝	+⅛
2000	Grafton A f	$15¼	15	15⅛	-⅜
27100	GL Forest	$18	18	18	
200	Greyhnd	$23⅝	23⅝	23⅝	
7400	GuarPA f	$10⅞	10⅝	10⅞	+¼
89188	Gulf Can	$20⅜	20¼	20¼	-⅛
50	Hawker	$20	20	20	
8214	Hayes D	$12¼	12	12	
39900	Hees Intl	$22½	22	22½	+⅝
200	Hentag A f	$20¾	20¾	20¾	-¼
406	H BayMn s	$6¾	6⅝	6¾	-⅛
2083	H Bay Co	$26¼	26	26	-½
55500	Husky Oil	$9⅞	9¾	9⅞	+⅛
58724	Imasco	$25⅛	24⅞	24⅞	+⅛
67455	Imp Oil A	$52⅞	52½	52¾	+⅛
99304	Inco	$17¼	16⅞	17	+⅛
12164	Indal	$17½	17½	17½	+¼
3200	Inland Gas	$11⅝	11½	11½	-¼
2700	Innopac	$14⅜	13¾	13¾	-¼
28050	Inter City	$16⅞	16½	16⅝	
471300	Intl Thom	$9¼	9	9¼	+⅛
8190	Intpr Pipe	$45½	45⅜	45½	
700	Ipsco	$13¼	13¼	13¼	+¼
8427	Ivaco A f	$18⅛	18	18⅛	+⅛
5000	Ivaco B	$18⅜	18⅜	18⅜	-¼
78375	Jannock	$17⅜	17⅛	17⅜	+⅛
725	Kerr Add	$16⅛	16	16	-⅛
4470	Labatt	$31⅜	31⅜	31¼	+½
18850	LL Lac	$32⅜	32⅜	32½	
88100	Lacana	$9⅜	9½	9⅜	-⅛
85400	Laidlaw A	$15⅛	14⅝	15⅛	+⅛
326800	Laidlw B f	$15	15	15	+
2000	Leigh Inst	295	290	290	-3
4047	Loblaw Co	$22⅜	22⅛	22⅜	+¼
2720	Lumonics	$19¼	18⅞	18⅞	-½
1000	MICC	390	390	390	-10
23238	Mclan H X	$13½	13⅜	13½	
3192	Macmilan	$19⅝	19⅝	19⅝	
108277	Magna A f	$21⅝	20⅞	21⅝	+⅜
21104	Maritime f	$15⅝	15¼	15⅝	+⅛
600	Mark Spnc	$14¼	14¼	14¼	+⅛
7035	Mass Fer	315	315	315	
1300	Mc Intyre	$37½	37	37½	+1
5867	Mercanbl	$8⅝	8⅝	8⅝	+⅛
3328	Merland E	325	320	320	-5
1200	Mntl Res	240	240	240	+3
11700	Mitel Corp	$8⅝	8⅝	8¾	
17650	Molson A f	$19⅜	19⅛	19¼	+¼
3800	Molson B	$19½	19⅜	19⅜	+¼
154	Monaco A f	$7⅛	7⅛	7⅛	
100	MCity Bk	$22	22	22	-⅛
200	M Trusco	$18⅛	18⅛	18⅛	+⅛
127892	Moore	$28⅛	27⅞	28	+⅛
200	Murphy	$24¼	24¼	24⅛	+¼
83820	Nat Bk Can	$21⅜	21⅜	21⅜	+½
10850	Nt Vg Trco	$20½	20½	20½	
1800	Nfld LP A	$18⅞	18	18⅞	+⅛
141244	Noranda	$15	14½	14¾	+⅛
5805	Norcen	$15⅝	15½	15⅝	+¼
21177	Norcn ord f	$15¾	15	15¾	+½
750	NC Oils	$14⅝	14½	14⅝	+⅛
86550	Nor Tel	$47⅜	46⅞	47	-⅜
19860	Northgat	440	425	440	+12

F—No voting rights or restricted voting rights.

WE REGRET that this listing is incomplete due to communication problems.

MONTREAL
Closing prices November 11

Sales	Stock	High	Low	Close	Chng
228337	Bank Mont	$33⅛	32⅞	33	+⅛
1660	BombrdrA	$13½	13½	13½	
3315	BombrdrB	$13⅝	13½	13⅝	-⅛
800	CB Pak	$23⅜	23¼	23¼	
9660	Cascades	$11¼	10¾	11⅛	+⅜
1035	ConBath	$18½	18¼	18½	
2718	DomTxtA	$13¼	13⅛	13⅛	-⅛
10230	Gaz Metro	$12⅝	12½	12⅝	+⅛
1500	MntTrst	$18	18	18	-⅛
24409	NatBk Cda	$21⅜	21¼	21⅜	+⅛
23857	Power Corp	$19¼	19⅛	19⅛	-⅛
200	RollandB	$20	20	20	+1⅛
32730	Royal Bank	$33⅛	32¾	33¼	+½
2100	RoyTrstco	$21½	21⅜	21⅜	-⅛
2652	SteinbrgA	$31⅛	31	31	-¼

Total Sales 1,843,217 shares

Indices

NEW YORK—DOW JONES

	Nov 12	Nov 11	Nov 8	Nov 7	Nov 6	Nov 5	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,434.85*	1,431.88	1,404.38	1,389.54	1,404.13	1,398.67	1404.36 (8/11)	1184.96 (4/1)	1431.88 (11/11/85)	41.22 (2/7/32)
Transport	682.08*	690.59	678.14	675.23	673.32	669.59	702.6 (17/7)	553.03 (4/1)	702.60 (17/7/85)	12.32 (8/7/32)
Utilities	165.81*	164.70	161.93	160.70	160.70	161.81	168.91 (12/7)	146.54 (4/1)	168.91 (12/7/85)	10.5 (28/4/42)
Trading vol		128.5m	114.8m	115.5m	128.4m	119.1m	–	–	–	–

	Nov 1	Oct 25	Oct 18	Year Ago (Approx)
Ind Div Yield %	4.54	4.54	4.50	4.75

STANDARD AND POORS

	Nov 12	Nov 11	Nov 8	Nov 7	Nov 6	Nov 5	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	218.43*	218.17	214.80	213.86	214.83	213.54	218.81 (11/11)	128.24 (4/1)	218.81 (11/11/85)	3.62 (30/6/32)
Composite	197.91*	197.29	193.72	192.82	192.75	192.37	197.29 (11/11)	163.68 (4/1)	197.29 (11/11/85)	4.40 (1/6/32)

	Oct 30	Oct 23	Oct 18	Year Ago (Approx)
Ind div yield %	3.71	3.73	3.75	4.83
Ind. P/E Ratio	12.71	12.58	12.54	10.69
Long Gov Bond Yield	10.22	10.35	10.50	11.59

N.Y.S.E. ALL COMMON

Nov 12	Nov 11	Nov 8	Nov 7	1985 High	1985 Low
114.25*	113.82	111.31	111.07	113.82 (11/11)	94.60 (4/1)

RISES AND FALLS

	Nov 11	Nov 8	Nov 7
Issues traded	1,988	2,030	1,986
Rises	1,226	1,117	834
Falls	389	464	732
Unchanged	373	449	430

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
[illegible]	2,793,200	47⅞	-1⅝	[illegible]	1,358,100	44¾	unch
ATT	2,282,400	21¾	+⅛	Mobil	1,296,700	31⅛	+⅛
Am Express	2,081,800	48⅝	-⅛	Baxter Lab.	1,277,700	13	unch
IBM	1,967,800	135⅝	+1⅛	Gen. Elec.	1,253,200	63⅛	+⅛
Mer Lynch	1,474,400	32⅝	+½	Sears Roe	1,244,900	36½	-⅛

Advances 1,814 Declines 603

TORONTO

	Nov 12	Nov 11	Nov 8	Nov 7	1985 High	1985 Low
Metals & Minls	1,987.3*	1,988.75	1,986.45	1,933.8	2158.7 (13/2)	1796.6 (23/10)
Composite	2,794.5*	2,778.45	2,748.3	2,734.8	2819.9 (30/8)	2348.5 (8/1)
MONTREAL Portfolio	135.50*	134.88	133.17	132.14	139.33 (19/7)	117.58 (4/1)

* Indicates pre-close figure

	Nov. 12	Nov. 11	Nov. 8	Nov. 7	1985 High	1985 Low
AUSTRALIA						
All Ord. (1/1/80)	1203.5	1051.7	1012.6	1002.0	1052.2 (28/10)	715.3 (7/1)
Metals & Minls.(1/1/80)	504.4	518.2	504.5	501.1	583.5 (20/5)	382.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	101.77	100.95	100.80	98.82	105.78 (17/8)	58.21 (24/1)
BELGIUM						
Brussels SE (3/1/80)	2867.05	(u)	2826.09	2820.99	2867.05 (12/11)	2050.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	229.88	(u)	228.86	229.52	237.57 (24/10)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	230.2	(c)	227.70	228.6	233.1 (31/5)	180.3 (3/1)
Ind Tendance (28/12/84)	132.8	(c)	130.13	130.5	132.4 (12/11)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	594.56	586.46	590.66	597.84	600.44 (8/11)	382.83 (3/1)
Commerzbank (1/12/53)	1760.5	1742.9	1755.0	1771.6	1781.4 (8/11)	1111.8 (4/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1730.15	1722.40	1722.38	1721.95	1730.15 (12/11)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	404.90	404.50	411.27	414.09	417.57 (4/11)	228.56 (2/1)
JAPAN**						
Nikkei (16/5/49)	12735.1	12821.3	12861.05	12851.2	13055.5 (15/10)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1004.25	1010.13	1012.85	1016.81	1057.55 (19/7)	916.93 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	233.6	232.6	230.7	231.8	233.8 (12/11)	185.6 (8/1)
ANP-CBS Indust (1970)	211.3	210.6	208.6	209.4	211.3 (12/11)	147.8 (3/1)
NORWAY						
Oslo SE (4/1/83)	412.88	400.58	398.45	395.18	412.88 (12/11)	288.16 (2/1)
SINGAPORE						
Straits Times (1966)	771.06	780.27	781.26	769.98	852.05 (7/5)	717.90 (15/7)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1087.3	1047.5	1088.3	1140.8 (15/8)	829.3 (5/8)
JSE Indust (28/9/78)	—	950.6	934.20	935.4	1056.8 (16/7)	767.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	130.57	126.98	125.90	126.86	130.57 (12/11)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1511.08	1504.77	1508.88	1503.54	1511.08 (12/11)	1285.32 (9/7)
SWITZERLAND						
Swiss Bank Cpn (31/12/58)	526.4	530.6	563.1	526.8	556.1 (8/11)	388.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	—	—	235.5	236.5	236.5 (6/11)	184.6 (4/1)

** Saturday November 9: Japan Nikkei c. TSE c.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON
Chief price changes (in pence unless otherwise indicated)

RISES					
Aspinall	152	+11	Lex Service	249	+13
Autom Prods	97	+5	Microfilm Repro	410	+25
Barclays	446	+11	Polypipe	168	+14
Blanchards	103	+15	Somportex	160	+6
Blue Circle	570	+8	Utd Biscuits	205	+5
Brit Home St	320	+8	Williams Hldgs	415	+25
Deritend Stamp	168	+16			
Diploma	238	+12	**FALLS**		
Distillers	468	+13	Berkeley Expln	82	-8
Farnell Elect	198	+10	Buckley's B	63	-9
Glaxo	£15¼	+⅜	De La Rue	780	-25
Grt West Res	140	+10	Greene King	225	-21
Hillards	222	+17	Petranol	130	-5
Hunter Saphir	132	+9	Pilkington Bros	283	-10
ICI	677	+10	Reuters B	335	-14
			Vaux	370	-33
			W & D Brew	370	-38

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued from Page 49

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, November 12

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24 3/8	16	AAR	.56	2.4	15	197	23 3/4	23 5/8	23 5/8	
18 5/8	9 3/4	AGS			14	243	18 1/8	17 7/8	18	-1/8
14	9 7/8	AMCA				94	10 7/8	10 1/4	10 7/8	+5/8
50 3/4	29 3/4	AMR			7	8637	42 3/4	41 1/2	42 1/2	+1 1/8
23 3/4	18 5/8	AMR pf2.10		9.3		6	23 1/8	23 1/8	23 1/8	-1/8
13 3/8	7 5/8	APL				1	9 7/8	8 7/8	8 7/8	-1/8
61 1/8	32 3/4	ASA	2a	5.8		275	36 1/8	35 5/8	35 7/8	
27	10 1/2	AVX	.32	2.8		239	11 1/2	11	11 1/8	+1/2
28 1/8	19 3/4	AZP	2.72	11.	7	3950	25 1/2	25 1/8	25 3/8	+1/8
60 7/8	38 5/8	AbtLab 1.40		2.3	18	2439	u61 1/4	60 1/2	60 7/8	
25 7/8	19 5/8	AccoWd .50		2.1	17	328	23 3/4	23 3/8	23 3/4	+3/8
24 3/4	10	AcmeC .40		3.7		397	10 7/8	10 1/4	10 7/8	+1/4
10 1/2	7	AcmeE .32b		4.6	11	49	7 1/8	7	7	-1/8
19	15 1/2	AdaEx 1.92e		11.		109	18	17 7/8	17 7/8	-1/8
20	13 1/2	AdmMl .40		2.1	8	55	19 3/8	18 7/8	19 1/8	-1/8
14 7/8	8 5/8	AdvSys .53t		3.9	70	292	13 1/2	13	13 1/2	-1/8
36 5/8	22 7/8	AMD			37	6952	25 1/2	24 3/4	25	+1/4
11 1/8	10 5/8	Adobe n				64	10 3/4	10 5/8	10 5/8	-1/8
15 1/8	14 5/8	Adob pfA				315	15 1/8	15	15	-1/8
16 5/8	15 1/4	Adob pfB				218	u16 1/2	16 3/8	16 1/2	+1/8
12 1/8	6 1/8	Advest .12		1.1	15	1097	11	10 1/2	10 3/4	-1/8
15	9	Aeflex			14	284	u15 1/8	14 7/8	15	+1/8
53	34 3/8	AetnLf 2.64		5.1	17	8677	52 1/4	51 5/8	51 5/8	-3/8
57 1/2	53 1/4	AetL pf5.41e		9.6		2	56 1/8	56 1/8	56 1/8	
38 5/8	22 1/8	Ahmns 1.30		3.1	7	3657	u39 1/4	38 5/8	39	+1/2
3 5/8	2 1/2	Aileen				262	2 3/4	2 5/8	2 5/8	-1/8
57	44 1/2	AirPrd 1.48		2.6	12	2309	u57 1/8	56 1/8	56 3/4	+3/4
24 5/8	17 1/2	AirbFrt .60		2.9	12	664	21 1/4	20 3/4	21	+3/8
2 1/8	1 3/8	AlMoa s.10e		5.7		50	1 3/4	1 5/8	1 3/4	+1/8
29 1/4	23 5/8	AlaP pf2.63e		9.2		10	28 1/2	28 1/2	28 1/2	
32 5/8	29 1/4	AlaP pfA8.92		12.		14	31 5/8	31 1/4	31 3/4	+1/4
8 3/8	6 3/4	AlaP dpf.87		11.		32	8 1/8	8	8	+1/8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from Page 48

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23 3/8	13 1/2	PayCsh	.16	1.0	14	617	15 5/8	15 1/8	15 1/4	
1 1/4	5-16	Pengo				150	1/2	7-16	7-16	-1-16
56 5/8	41 1/8	PeabCen			14	578	52 5/8	51 7/8	52 1/2	+1/2
53 3/8	44 5/8	Penney	2.38	4.6	10	3849	51 1/4	50 5/8	51 1/8	+3/8
27 7/8	23 1/2	PaPL	2.56	9.5	16	716	27 1/2	26 7/8	26 7/8	
40 1/2	33	PaPL	pf4.50	11.		z200	40 1/2	40	40 1/2	+2
29 3/4	25 1/4	PaPL	dpr3.42	12.		1	29 1/8	29 1/8	29 1/8	+1/4
27 1/2	22 3/4	PaPL	dpr2.90	11.		1	26 3/4	26 3/4	26 3/4	
74 7/8	60 3/4	PaPL	pr8.40	12		z250	71 7/8	71	71	
28 7/8	24 5/8	PaPL	dpr3.25	11.		201	28 3/4	28 1/2	28 1/2	
31 1/4	27 1/2	PaPL	dpr3.75	12.		16	31	30 1/2	30 1/2	-1/2
95 1/2	77	PaPL	pf9.24	9.9		z5600	u96 3/4	96	96 3/4	+1 3/4
70 5/8	57 1/4	PaPL	pr 6	12.		250	66 1/4	66 1/4	66 1/4	
75 1/2	62	PaPL	pr8.70	12.		z20	74	74	74	+1/2
41 1/2	34	Pennwlt	2.20	5.8		921	37 3/4	37	37 3/4	+1/8
61	51 1/2	Pennw	pf2.50	4.5		3	55	55	55	-1/4
25 3/8	20	Pennw	pf1.60	7.6		6	23	22 7/8	22 7/8	-1/8
50	34	Pennzl	2.20	4.7	21	316	47 3/4	47	47 1/4	+1/8
18 7/8	13 3/4	PeopEn	1.20	6.5	6	630	18 1/2	18	18 3/8	+1/2
28 5/8	14 1/4	PepBys	.20	.6	22	464	28 5/8	28 1/8	28 5/8	+3/8
65 7/8	38 7/8	PepsiCo	1.78	2.7	11	2788	u66 5/8	65 1/8	66	+7/8
30 5/8	22 7/8	PerkEl	.56	2.1	15	3348	27 1/2	26 5/8	27 1/4	+3/4
9 1/2	7 3/8	Prmian	1.12e	15.	6	1124	7 7/8	7 5/8	7 5/8	-1/4
18	10 3/4	PeryD	s			292	18	17 3/4	18	+1/8
48 1/4	31	Petrie	1.40	3.0	17	432	u47 5/8	45 3/4	47	+1 1/2
28 5/8	24 5/8	PetRs	3.72e	14.		41	27 1/8	26 7/8	27 1/8	
17 7/8	14 1/8	PetRs	pf1.57	9.3		16	16 7/8	16 3/4	16 7/8	+1/4
5 7/8	2 3/4	Ptrinv	.80e	26.		12	3 1/2	3 3/8	3 1/2	
53 3/4	37 5/8	Pfizer	1.48	3.6	15	7810	50 1/2	49 3/4	50 3/8	+5/8
24	12 7/8	PhelpD				933	20 5/8	20	20 3/8	
36	24	Phelp pr	5	9.6		44	51 1/4	51 1/4	51 1/4	
46 3/4	29	PhibrS	.54	1.3	21	10898	42 1/4	41	42 1/8	+7/8
16 5/8	19 1/4	PhilaEl	2.20	14.	6	8219	15 5/8	15 1/4	15 1/2	+3/8
32	25 1/4	PhilE	pf3.80	13.		z160	29 1/2	29	29 1/2	+1
36	45 5/8	PhilE	pf 7	13.		z200	54	54	54	
83	57	PhilE	pf8.75	13.		z80	67 1/2	66 1/2	67 1/2	+1
11 1/2	9 1/4	PhilE	pf1.41	13.		52	11 1/8	10 7/8	11	
10 7/8	8 3/8	PhilE	pf1.33	13.		214	10 3/8	10 1/4	10 3/8	+1/4
61	51	PhilE	pf7.85	13.		z400	60 3/4	60	60 3/4	+3/4
10 3/8	8 3/4	PhilE	pf1.28	13.		140	10 1/8	10	10	+1/8
126	110 1/2	PhilE	pf 17.13	14.		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30	23 1/4	RepBk	pf2.12	7.3		3	27 3/4	27 1/2	27 3/4	+1/4
25 3/8	15 1/2	RshCot	.32	1.3		145	25 1/4	25	25 1/4	+3/8
29 1/2	22 1/2	Revco	.80	2.9	30	1638	27 3/4	26 5/8	27 1/8	+1/8
17 3/4	10 5/8	Revere			2	62	12 7/8	12 5/8	12 3/4	
35	32 1/2	Revlon	1.84	3.2	18	244	57 3/4	57 1/4	57 1/4	-1/8
100 1/2	93	Rvln	pfB 9	9.1		21	99	99	99	
25 1/4	17 3/4	Rexhm	.70	2.8	17	62	25 1/8	24 7/8	25	-1/8
15 3/4	11 3/4	Rexnrd	.44	3.2	9	723	14 1/8	13 7/8	13 7/8	-1/8
32 1/2	24 3/4	Reynlns	1.48	5.6	6	9306	26 3/4	26 1/8	26 1/2	+1/4
35	47 5/8	Reyln	pf4.10	8.2		5	49 7/8	49 7/8	49 7/8	-1/8
112 1/2	103 1/2	Reyln	pf11.50	10.		1	112 1/4	112 1/4	112 1/4	
131	123 3/4	Reyln	pf12.96	10.		1000	130 3/8	130 1/4	130 1/4	-1/8
41 1/4	30	RevMt	1	3.0		987	33 1/2	32 5/8	33 1/4	+1 1/4

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, November 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 47

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Warning on rates cools enthusiasm

MR Milton Friedman, the sage of Chicago, threw cold water on the US stock markets yesterday by forecasting higher inflation and interest rates, *writes Terry Byland in New York.*

Stocks, which had surged ahead in heavy turnover, came off the boil after his comments to a New York analysts' meeting were relayed to the trading floors.

However, at mid-session market indices held on to new peaks, and share trading continued to outstrip recent levels. Earlier, the stock market had resumed the upward track helped by a renewed slide in bond market yields.

At 2pm, the Dow Jones industrial average was 2.18 higher at 1,434.06.

Utility stocks, which are interest rate sensitive, moved higher again, and strong gains in airline issues boosted the Dow transportation average.

There were further widespread gains in foreign earning and interest-oriented issues. In heavy turnover, IBM approached a 52-week high, and banks and pharmaceuticals surged ahead again. Demand for blue chips was fuelled by a sharp discount between the Standard & Poor's 500 index, and its futures contract.

The federal bond market, returning from the Veterans Day break, rose strongly as Mr George Baker, US Treasury Secretary, told the world monetary conference in Washington that the Group of Five accord had "significant" impact on the foreign exchange markets. The yield on the key long-dated US government bond dipped to 10.08 per cent in early trading.

Stocks in the banks, with earnings likely to benefit from falling rates in the short-term markets, rose strongly.

Bankers Trust jumped $1¼ to $69⅞ and Citicorp $1⅛ to $48¼. Thrift companies, with much to gain from lower rates, were featured by a rise of $⅞ to $7⅞ in Financial Corp of America, which attracted brisk trade.

At $135⅝, IBM was $1⅝ up, after more than 1m shares were traded before midday, and within $3 of its 12-month peak. But early enthusiasm in technology stocks boiled over later, leaving Honeywell $⅝ up at $65 and Burroughs down $⅛ at $58⅞.

Pharmaceuticals also slipped back from their best levels. Merck, at $123⅜ was $4⅝ up at a new peak, and Bristol-Myers added $1⅝ to $62⅝, having been $3 up earlier.

Upjohn held a gain of $2⅝ at $130⅝, while Pfizer added $⅞ to $50⅝.

Syntex, the Californian pharmaceuticals group, dipped $⅛ to $72⅝ on the $60m sale of its contact-lens subsidiary to Pilkington Bros of the UK.

Heavy industrials were mostly strong, with General Electric $⅝ higher at $63⅝, Lockheed $⅝ up at $49⅝, Boeing $⅝ up at $48⅝ and McDonnell Douglas $⅝ up at $70⅝.

At $28⅜, Wal-Mart added $⅝ on its figures. Other retailers continued to find the buyers, K mart adding $⅝ to $34⅝. Sears had another busy session but lost an early gain to stand unchanged at $36⅝.

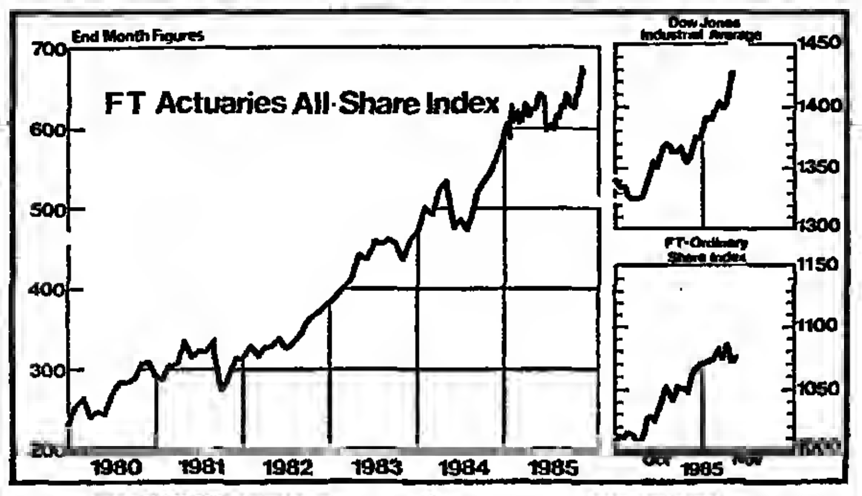
American Airlines stood out in the sector, with a gain of $1⅛ to $42⅛. Other carriers advanced, although Pan Am shaded lower $⅛ to $8⅛ in slack trading.

Hopes of a buoyant economy also boosted rail stocks. At $86⅝, Burlington Northern gained $1⅝. Union Pacific added $⅞ to $50.

The strength of the stock market rubbed off on stocks of the Wall Street firms. Merrill Lynch, high on the NYSE active list, put on $⅞ to $32⅞, while Phibro-Salomon added $⅝ to $42, also in heavy trade.

The bond market was slow to move from its early gains which ranged to about half a point. At the short end of the market, a firm federal funds rate at 8 per cent was again discouraging, although this appeared to reflect only technical factors. Money market rates remained steady, while Treasury-bills shaded by a couple of basis points.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Nov 12	Previous	Year ago
NEW YORK			
DJ Industrials	1,435.67*	1,431.88	1,219.19
DJ Transport	681.88*	680.59	529.96
DJ Utilities	164.60*	164.56	145.21
S&P Composite	198.12*	197.29	167.36
LONDON			
FT Ord	1,074.6	1,070.3	924.3
FT-SE 100	1,381.6	1,375.5	1,175.1
FT-A All-share	673.40	671.62	559.09
FT-A 500	734.51	733.03	611.02
FT Gold mines	257.4	255.2	565.6
FT-A Long gilt	10.47	10.44	10.02
TOKYO			
Nikkei	12,735.08	12,821.26	11,235.1
Tokyo SE	1,004.20	1,010.10	849.57
AUSTRALIA			
All Ord.	1,023.9	1,031.6	776.0
Metals & Mins.	504.4	509.9	471.4
AUSTRIA			
Credit Aktien	101.77	100.96	57.81
BELGIUM			
Belgian SE	2,867.05	2,826.06	–
CANADA			
Toronto			
Metals & Minls	1,887.70*	1,890.75	2,046.00
Composite	2,784.50*	2,773.45	2,418.80
Montreal			
Portfolio	135.50*	134.96	120.29
DENMARK			
SE	229.88	n/a	169.38
FRANCE			
CAC Gen	230.2	227.7	180.7
Ind. Tendance	132.4	130.1	98.4
WEST GERMANY			
FAZ-Aktien	594.56	586.46	370.49
Commerzbank	1,760.5	1,742.9	1,082.5
HONG KONG			
Hang Seng	1,730.15	1,722.40	1,044.45
ITALY			
Banca Comm.	404.90	404.50	211.92
NETHERLANDS			
ANP-CBS Gen	233.8	232.6	179.5
ANP-CBS Ind	211.3	210.6	140.0
NORWAY			
Oslo SE	412.88	404.90	262.54
SINGAPORE			
Straits Times	771.06	780.27	800.79
SOUTH AFRICA			
JSE Golds	–	1,097.9	1,054.4
JSE Industrials	–	930.6	895.3
SPAIN			
Madrid SE	130.57	126.90	98.97
SWEDEN			
J & P	1,511.08	1,504.77	1,397.1
SWITZERLAND			
Swiss Bank Ind	526.4	530.6	378.9
WORLD	Nov 11	Prev	Year ago
Capital Int'l	n/a	235.5	187.4

COMMODITIES

(London)	Nov 12	Prev
Silver (spot fixing)	429.90p	428.00p
Copper (cash)	£969.50	£958.25
Coffee (Jan)	£1,916.50	£1,797.50
Oil (spot Arabian Light)	$27.85	$27.90

GOLD (per ounce)

	Nov 12	Prev
London	$323.75	$323.00
Zürich	$323.55	$323.10
Paris (fixing)	$323.98	$322.89
Luxembourg	$323.20	$323.50
New York (Dec)	$325.80*	$324.30

CURRENCIES

(London)	U.S. DOLLAR Nov 12	U.S. DOLLAR Previous	STERLING Nov 12	STERLING Previous
$	–	–	1.4125	1.42
DM	2.622	2.6235	3.7025	3.725
Yen	205.8	205.9	290.5	292.5
FFr	7.9925	8.0	11.29	11.36
SFr	2.152	2.156	3.04	3.0625
Guilder	2.954	2.961	4.1725	4.205
Lira	1,768.0	1,773.5	2,497.25	2,518.5
BFr	52.95	53.05	74.8	75.35
C$	1.3785	1.3775	1.952	1.956

INTEREST RATES

	Nov 12	Prev
Euro-currencies (3-month offered rate)		
£	11⅜	11 11/16
SFr	4 3/16	4 3/16
DM	4¾	4 13/16
FFr	9 7/16	9½
FT London Interbank fixing (offered rate)		
3-month U.S.$	8 7/16	8⅜
6-month U.S.$	8⅜	8⅜
U.S. Fed Funds	8*	n/a
U.S. 3-month CDs	7.70*	7.80
U.S. 3-month T-bills	7.215*	7.20

U.S BONDS

Treasury		Nov 12* Price	Nov 12* Yield	Prev Price	Prev Yield
8⅞	1987	100 21/32	8.502	100 18/32	8.55
9⅝	1992	100 30/32	9.559	100 4/32	9.724
10½	1995	104 19/32	9.754	103 22/32	9.898
10⅝	2015	105 9/32	10.06	104 3/32	10.182

Treasury Index Maturity (years)	Nov 12* Return index	Day's change	Yield	Day's change
1–30	132.55	+0.36	9.26	−0.05
1–10	130.47	+0.23	8.98	−0.05
1–3	126.72	+0.10	8.47	−0.03
3–5	132.18	+0.25	9.19	−0.05
15–30	139.89	+0.84	10.29	−0.07

Source: Merrill Lynch

Corporate	Nov 12* Price	Nov 12* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101½	9.95	101½	9.95
3⅞ July 1990	93½	8.00	93¼	8.25
8⅜ May 2000	86½	10.60	85⅝	10.60
Xerox				
10⅞ Mar 1993	101⅞	10.25	101⅞	10.47
Diamond Shamrock				
10⅜ May 1993	101	10.40	99	10.80
Federated Dept Stores				
10⅞ May 2013	99	10.70	94⅞	11.20
Abbot Lab				
11.80 Feb 2013	107⅞	10.90	103⅞	11.30
Alcoa				
12¼ Dec 2012	103⅝	11.80	103.00	11.75

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	80–07	80–09	79–19	79–18
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	93.01	93.03	92.99	93.01
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.41	92.42	92.40	92.42
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	92.12	92.13	92.08	92.11
20-year Notional Gilt £50,000 32nds of 100%				
Dec	111–15	111–21	111–05	111–19

* *Latest available figures*

TOKYO

Investors cling to sidelines

INVESTORS remained firmly on the sidelines in Tokyo yesterday, despite the overnight record-breaking surge on Wall Street, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average plunged 86.18 to 12,735.08. Declines outpaced advances 493 to 254, with 181 issues unchanged.

Large-capital and domestic demand-related stocks eased, while smaller-capital issues fluctuated widely. Sanko Steamship featured again.

Institutional investors and corporations have shifted to the short-term money market after pouring huge surplus funds into stock investment between late September and early October.

Individuals were also inactive, uncertain about the market outlook. Meanwhile, speculators traded actively in small-capital, incentive-backed issues for immediate profits.

Sanko Steamship was the most active stock again with 28.26m shares traded. The troubled shipping group, due to be delisted tomorrow, rose Y1 to Y2.

Canon shed Y50 to Y1,050 after reports that the company would suffer its first annual recurring profit drop in 11 years due to intense sales competition for single-lens reflex cameras and exports curbed by the yen's strength against the US dollar.

NEC and Matsushita Electric Industrial dropped Y10 each to Y1,100 and Y1,150, respectively. Nippon Kogaku fell Y24 to Y858.

Mitsubishi Heavy Industries tumbled Y15 to Y354 with the second busiest turnover of 8.98m shares. In sympathy, Tokyo Gas dropped Y10 to Y285 and Tokyo Electric Power Y30 to Y2,330.

Domestic demand-related issues dipped almost across the board with Mitsubishi Estate losing Y50 to Y1,120 and Nippon Express Y25 to Y579.

Conversely, small-capital stocks remained bright. Shochiku added Y93 to Y1,060, reflecting investor interest in its urban area redevelopment project. Hodogaya Chemical surged Y80 to Y1,100. Kyodo Shiryo also drew popularity, but ended Y4 down at Y340.

Many market participants believe the market will not be able to shake off the current bearish tone without a fresh incentive, such as the reduction of the official US discount rate.

Bond prices continued to slide amid mounting concern about the market outlook.

The Trust Fund Bureau launched a Y500bn buying operation on the bond Gensaki market. In addition, the Bank of Japan bought Y300bn of bills. But the bill discount rate kept rising fast.

On the bond futures market, the outstanding balance of the nearby December contract stood high at about Y2,000bn, raising fears of dumping.

Trading was made on the interbroker market. The yield on the benchmark 8.8 per cent government bond falling due in December 1994 soared from 8.725 per cent to 6.750 per cent.

HONG KONG

TAKEOVER ACTIVITY triggered some buying interest in Hong Kong and pulled the Hang Seng index 7.75 higher to 1,730.15, its highest level in more than four years.

Evergo was 23 cents up at 77 cents on its predatory intentions over Chuang's (Holdings) and its affiliate Lambda Technology, both of which remained suspended pending an announcement.

Some measure of stability returned to the recently volatile property sector with Cheung Kong 20 cents up at HK$20.60, while Sun Hung Kai Properties and Hongkong Land were unchanged at HK$13.10 and HK$6.85 respectively.

Banks continued mixed with Hongkong Bank 5 cents down at HK$7.75 and Hang Seng Bank 25 cents cheaper at HK$46.

EUROPE

Spillover of enthusiasm short-lived

BUYING ENTHUSIASM, sparked by Wall Street's overnight performance trickled into Europe yesterday and prices firmed in early trading. Later in the session, however, some bourses fell to profit-taking and issues eased from their highs of the day.

Brussels retained its early strength to close sharply higher as investors returned in force from Monday's local holiday. The Belgian stock exchange index added 40.99 to a 1985 peak of 2,867.05.

Expectations of lower discount and Lombard rates pushed the interest-rate-sensitive utility stocks higher. Intercom gained BFr 100 to BFr 2,920, Ebes BFr 30 to BFr 3,800, while Unerg added BFr 50 to BFr 2,100.

Holding companies and industrials also featured. Société Générale de Belgique, the leader in the holding company sector, rose BFr 50 to BFr 2,350, and Groupe Bruxelles Lambert gained BFr 20 to BFr 2,645. Petrofina led the industrials with a gain of BFr 250 to BFr 6,950.

In the retail sector, Delhaize was steady at BFr 8,600, unaffected by the weekend armed robbery and massacre at one of its outlets.

Late profit-taking in Amsterdam nibbled into advances made by some issues earlier in the session. The ANP-CBS index rose to a record of 233.6, up 1.0.

Disappointing third-quarter results from Unilever sent the issue fluctuating sharply, but investors took heart from the company's 11 per cent sales increase and the stock ended up Fl 3.50 at Fl 368.50.

Banks retreated from early afternoon levels, with ABN closing Fl 2 up at Fl 549. Insurer Amey turned a small gain into a 30-cent loss at Fl 78.

Bonds ended mostly unchanged in slow trading.

Cars and metal issues advanced in a mostly firmer Frankfurt. Prices eased around midsession as investors took profits, but regained lost ground towards the close.

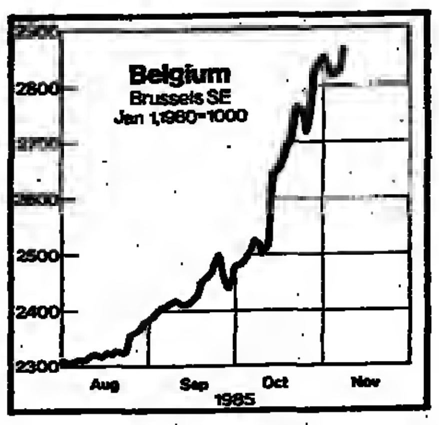
BMW rose DM 8 to DM 551 after news it is in talks with the Bavarian Government over a stake in aerospace group MBB. VW added DM 4.10 to DM 416.10, Porsche gained DM 1 to DM 1,245 but Daimler shed DM 1 to DM 1,230.

The steady dollar led investors towards engineerings and Linde rose DM 10 to DM 582, GHH added DM 8 to DM 221 and Mannesmann gained DM 4.30 to DM 260.80.

Bonds eased about 40 basis points with longer maturities shedding up to 75 points. The Bundesbank bought DM 24.3m worth of paper after buying DM 20.4m on Monday.

Paris continued to firm on strong buying interest with advancing issues outpacing declines by 138 to 55.

In the drinks sector, Pernod gained FFr 10 to FFr 746, Perrier added FFr 8 to FFr 456 and Moët-Hennessy firmed FFr 25 to FFr 2,040.



In a technical reaction to Monday's solid gains, Zurich eased, although banks were bought vigorously towards the close.

Swissair shed SFr 19 to SFr 1,580, Jacobs Suchard lost SFr 150 to SFr 7,875, while Nestlé firmed SFr 20 to SFr 8,100.

Insurers showed minor losses except for Swiss Re, which remained unchanged at SFr 13,300.

Bonds ended steady in light trading.

Stockholm was strong, fuelled by widespread expectations of an imminent cut in interest rates. The Veckans Affarer all-share index hit a year-high for the third time in five trading days. It ended up 3.1 at 519.1.

Milan was mixed with industrials gaining ground and insurances remaining stable, while Madrid rose in lively trading.

CANADA

MODERATE gains were achieved in Toronto while Montreal had a mixed showing with industrials and banks offsetting losses in utilities.

Bell Canada traded C$⅛ higher to C$42⅞ as its property subsidiary, Daon Development, topped the active list but was unchanged at C$4.80. Canadian Pacific was also active, trading C$⅛ higher to C$17⅞ after reporting lower third-quarter profits on Monday.

LONDON

A STRONG revival in London equities – due largely to the overnight showing in New York stocks – faded away ahead of the Chancellor of the Exchequer's autumn economic statement.

The FT Ordinary index, up 9.2 in the morning, retreated to show a rise of only 1.5 before closing the session with a net 4.3 gain to 1,074.6.

Recently active pharmaceuticals saw Glaxo gain £⅛ to £15¼ and ICI rise 10p to 677p both on strong US buying support.

Government securities remained a relative backwater with quotations generally content to follow the Liffe market. Thus, shorts fluctuated narrowly before settling ⅛ lower on the day and longs had losses of up to ¼.

Chief price changes, Page 47; Details, Page 46; Share information service, Pages 44–45.

AUSTRALIA

POOR DOMESTIC economic figures and profit-taking pushed Sydney lower despite the overnight surge on Wall Street.

The All Ordinaries index ended down 7.8 at 1,023.9.

MIM Holdings turned 10 cents down at A$2.48 as problems with an industrial dispute began to take their toll and Western Mining slipped 12 cents to A$3.38.

Profit-takers surfaced in the banking sector erasing most of Monday's gains and left ANZ 15 cents cheaper at A$4.95 and Westpac 21 cents lower at A$4.85.

SINGAPORE

SCATTERED SELLING developed in Singapore forcing the Straits Times industrial index 9.21 lower to 771.06.

Grand United Holdings was the most active again and shed 16 cents to S$1.53. OCBC, also active, slipped 5 cents to S$8.65 as Singapore Press declined to S$6.80 with a 5 cent setback.

Other industrials also lost ground with Fraser & Neave 10 cents cheaper at S$6.65, Haw Par 5 cents off at S$2.19 and Pan Electric 14 cents down at S$1.50.

SOUTH AFRICA

FURTHER weakening of the rand boosted Johannesburg gold shares but prices finished off their day's highs amid light profit-taking near the close.

Vaal Reefs gained R5 to R204 after an early R205, while Driefontein managed a R2.25 rise to R54.25 and Buffels scored a R3.75 advance to R77.75.

Mixed industrials saw Barlow Rand lose 25 cents to R12.